

**City of Roanoke, Virginia**

**Comprehensive Annual Financial Report**

**For the Fiscal Year July 1, 2005 to June 30, 2006**

**Prepared by the City of Roanoke Department of Finance**

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## ***INTRODUCTORY SECTION***

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December 6, 2006

### **The Honorable Mayor, Members of the City Council and Citizens of Roanoke, Virginia**

In accordance with Section 25.1(f) of the Roanoke City Charter, we are pleased to present the City of Roanoke (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The Charter requires the City to issue an annual report on its financial position and activity and that the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data as presented is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds and component units. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The CAFR is presented in the following four sections:

- (1) Introductory Section – This section is unaudited and includes this letter of transmittal, the City's Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting, a list of the City's principal officials and an organizational chart;
- (2) Financial Section – This section includes the independent auditors' report on the basic financial statements, management's discussion and analysis (MD&A), basic financial statements, notes to the basic financial statements, required supplementary information and combining fund financial statements;

- (3) Statistical Section – This section is unaudited and includes selected financial and demographic information, generally presented on a multi-year comparative basis; and
- (4) Compliance Section – This section includes the Schedule of Expenditures of Federal Awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations as required by the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Findings and Questioned Costs.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the Government**

Roanoke, the largest city in the Commonwealth of Virginia west of Richmond, is located at the southern end of the Shenandoah Valley, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Its position in the southeastern United States gives the City ready access, within a 500-mile radius, to nearly one-third of the total population of the United States. In addition, the City lies at the region's crossroads of major rail and highway systems, making it the principal trade, industrial, transportation, medical and cultural center of western Virginia.

Chartered by the Commonwealth of Virginia as a city in 1884, Roanoke encompasses a land area of forty-three square miles and operates under a council-manager form of government. The City's 2005 estimated population, 93,600, accounts for almost 32 percent of the population in its metropolitan statistical area (MSA), which includes the neighboring City of Salem and the Counties of Botetourt, Craig, Franklin and Roanoke.

The primary government provides a full range of services including general government administration, public safety, public works, recreational activities, judicial administration, health and welfare activities and community development activities. The City also owns and operates a civic center coliseum, several parking facilities and a historic market building which contains a food court.

The financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the basic financial statements, conforms to the requirements of the Governmental Accounting Standards



Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. The accounting and reporting principles of the GASB are based on the fundamental concept that publicly elected officials are accountable to their constituents, and the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. There are several commissions and authorities where the City's accountability is limited to appointments to, or seats on, the respective boards. The City does not exercise financial or administrative control over these entities, so they are excluded from this report.

The City's reporting entity includes one blended and one discretely presented component unit. A component unit is a legally separate entity which meets one of three conditions: the governing board is appointed by the primary government, the entity is fiscally dependent on the primary government, or excluding the entity could potentially result in misleading financial reporting. The component unit should be blended with the primary government if the entities share a governing body and if the component unit almost exclusively provides services or benefits to the primary government; otherwise, it must be presented discretely.

The blended component unit is the City-owned Greater Roanoke Transit Company (Transit Company) which is responsible for managing Roanoke's major mass transit system. It is reported as an enterprise fund of the primary government.

The discretely presented component unit is the School Board of the City of Roanoke (School Board). The School Board is comprised of seven members, appointed by City Council, to oversee operation of the City's school system. The school system receives significant financial support from the City. The School Board is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government and to differentiate its financial positions and results of operations from that of the primary government.

The annual budget document contains the financial policies of the City and reflects the balance between total proposed expenditures and total anticipated revenues. As required by City Code, the City Manager submits a recommended budget to City Council by May 1<sup>st</sup> each year for the fiscal year beginning July 1<sup>st</sup>. After an extensive study process and a public hearing to receive citizen input, the City Council adopts the budget on or before May 15<sup>th</sup>.

## **Economic Condition and Outlook**

Fiscal year 2006 revenue performance continued to reflect an improved local economy as in the prior fiscal year. General Fund revenues as a whole increased approximately 7% compared to FY05. The real property tax continued to provide significant growth in revenue, as a result of assessment increases and new construction. Real property taxes provide approximately 28% of total General Fund revenues. The taxable real property base grew in excess of 8% for FY06. Personal property tax revenue increased 4% during the year. Growth in this revenue occurred primarily in the business and personal property vehicular area. Performance of this revenue continues to be aided by coordination of efforts between the Commissioner of the Revenue and available Department of Motor Vehicles records, audits of corporate vehicle records and other similar procedures. Prepared Food and Beverage Tax rose nearly 33% due to a rate increase from 4% to 5% effective July 1, 2005. This rate increase contributed approximately \$2.1 million in additional local taxes to General Fund revenues and will fund planned capital improvements. Transient Room Tax grew by 12% over the prior year. Growth in this area was impacted by tax audits as well as positive performance at local hotels in terms of both room rates and occupancy levels. Sales Tax and Business and Professional Occupational License Tax revenues also grew 5% and 9%, respectively, during the year. These taxes are sensitive to the health of the local economy, and growth in these is a positive sign of the state of our city.

During fiscal year 2006, the City issued general obligation bonds to finance several important capital improvement projects. Series 2006 A and B bonds totaled \$35.1 million and provided funding for high school renovations, a contribution toward a new art museum, financial information system replacement, an expansion to the Civic Center, and construction of a new parking garage. Series 2005 bonds totaling approximately \$3.9 million were issued to provide for property acquisition to promote economic development. Additionally, the City was able to realize savings with a \$12.5 million refunding issue which refinanced a portion of outstanding 1997B bonds.

Roanoke's economy is also strengthened by the diversity of our employment opportunities, with representation from every major type of business as defined by the US Census Bureau. New businesses and expansion of existing businesses are discussed in the following section.

Challenges the City addressed during the year included school issues, technology enhancement projects, neighborhood revitalization, and capital maintenance and equipment replacement.

As part of its fiscal year 2007 budget process, the City was again able to meet the goals of maintaining service levels to citizens, providing additional funding for employee compensation and benefits, future debt service, and capital replacement and maintenance.

### **Major Initiatives**

Roanoke is committed to creating jobs for its citizens and generating new sources of tax revenue by strengthening and diversifying the local economy. Employers in the City of Roanoke provided almost 47% of all jobs in the Roanoke Valley as of the fourth quarter of 2005. Furthermore, the Roanoke Metropolitan Statistical Area had an unemployment rate of 3.9% as of June 2006. This rate was lower than the federal unemployment rate and the same as the state unemployment rate for this time period.

The City has made great strides on the development and expansion of two major business parks. At the Riverside Centre for Research & Technology (RCRT), the \$15 million, 100,000 square foot Carilion Biomedical Institute (CBI) office and lab facilities neared completion with Luna Innovations being the first occupants in September 2006. CBI will begin the move of its offices, along with Medical Enzymatics and American Biosystems, to the RCRT in the spring of 2007. Additionally, the Carilion Clinic, an outpatient clinic designed to accommodate medical specialists, will be under construction in the latter part of 2006. This approximately 250,000 square foot new structure will be the second phase of the CBI project. Finally, Cambria Suites, a 127-room, limited-service, all-suite hotel will also begin construction investing approximately \$14,850,000. There are plans to add two restaurants shortly after completion of the hotel.

At the Roanoke Centre for Industry and Technology (RCIT), designed for light manufacturing and warehousing, an eleven-acre parcel was sold for development of office space, a hotel, restaurants, and a day care facility. Four sites at the Centre remain available. Once these sites are full, an additional fifty acres referred to as the Oppenheimer property will be opened for future development opportunities.

FreightCar Roanoke, Inc. now employs approximately 500 workers on two shifts to build aluminum coal cars at its site in the former East End Shops of Norfolk Southern. The Illinois-based company is currently spending over \$6 million on track improvements to add another rail line in order to accommodate a new product. In addition, UnitedHealth Group now has 460 employees with plans to hire another 115 in the future.

Construction is underway on the future site of the Ivy Market, a village shopping center planned for the corner of Franklin Road and Wonju Street. The shopping center will have approximately 150,000 square feet of retail space, resulting in a \$20 million investment. A 58,000-square-foot Ukrop's grocery store that will serve as the anchor for this development is nearing completion. Construction of a Walgreen's, retail and office space, and restaurants will begin in the near future.

The City also promotes development of its downtown. Many renovations of downtown buildings are currently underway or recently completed, providing both retail and residential opportunities. The State and City building, housing the renovated Frank L. Moose Jewelers' store, has added new upscale residential and commercial condominiums. Campbell Garage Lofts, consisting of seventeen downtown condominiums, is now open, while Lofts on Church is completing construction. Additionally, Colonial Arms, with fourteen condominiums, opened during fiscal year 2006. The City has provided \$4 million toward construction of the new Art Museum of Western Virginia, a \$60 million project that is currently under construction. Additionally, a new two-story, 8,000 square foot brick building is planned for Market Street in the Roanoke City Market. This new building will conform to the historical character of the City Market, and will offer office space upstairs and retail spaces downstairs.

Renovation is under way in the Gainsboro neighborhood, Roanoke's oldest community. Originally established in the mid-1800's, Gainsboro was recently named to the Virginia Landmarks Register by the state Department of Historic Resources. It was a residential and cultural center for the City at one time, and the Gainsboro Neighborhood Revitalization Initiative established several major goals for the restoration of the neighborhood. Various projects are already under construction including the Claude Moore Education Complex, containing a culinary arts school in the former Ebony Club on Henry Street. Renovation of the old Hotel Dumas is nearing completion and will be the home of the new Dumas Center for Artistic and Cultural Development and Opera Roanoke. Renovation plans for the First Street/Martin Luther King, Jr. Bridge and Memorial are finalized with construction underway.

Other economic development initiatives in the City include construction of a new Home Depot in the southwestern portion of the city and the District at Valley View complex in the northeastern section. The District at Valley View will be a network of at least ten retailers linked by pedestrian infrastructure. Approximately 58,000 square feet will be added to Valley View Mall at this location.

Roanoke Regional Airport added semi-weekly Allegiant Air flights to Orlando's Sanford International Airport in April. These flights proved so successful, the airline plans to add two more weekly flights in November 2006.

One portion of the Roanoke River Flood Reduction project is completed with the second phase under way in conjunction with the United States Army Corps of Engineers. The federal government has committed approximately \$23 million to this project to date. The project consists of a combination of channel widening and levy construction along nine miles of the Roanoke River within the City. It will reduce annual flood damage along the river by approximately 50% and is significant to many areas of Roanoke including much of downtown.

The City is committed to providing available housing in quality neighborhoods, an important economic development tool, by taking a multi-tiered approach to expanding its housing options and by diversifying housing opportunities. Upscale housing developments under construction include the Pinnacle Ridge, Southwood, and Wellington subdivisions. Homes in these locations will be valued at approximately \$300,000 and up. The Colonial Green project, covering twenty-three acres, will contain approximately 220 single family houses, condominiums, and apartments, as well as development for commercial uses. Its first homes opened in August 2006. The 400 block of Day Avenue with seventeen homes was purchased by the Roanoke Redevelopment and Housing Authority for conversion to owner-occupied housing is under renovation. The first renovated house was purchased in July 2006, bringing new life to the neighborhood. The City has designated Community Development Block Grant funds to targeted neighborhoods to achieve greater impact on housing and urban development. Planning is currently underway for Hurt Park neighborhood upgrades.

The City's acquisition of the 140-acre Countryside Golf Course in November 2005 represents a unique opportunity to create a cohesive development in this part of the city with a broad range of market-rate housing opportunities. A developer has been identified and a plan is being prepared to utilize this land for construction of market rate housing and commercial activities.

The City continues to receive positive national publicity for the quality of life enjoyed by its citizens and potential business prospects. Partners for Livable Communities, a nonprofit leadership organization, honored Roanoke as one of America's most livable cities for striking a "careful balance" between business development and the natural environment. *Business Facilities* magazine, in its November 2005 issue, named Roanoke as a High-Tech Haven, meaning a location with the necessary tools to help a high-tech company prosper. *Expansion Management's* 2006 Mayor's Challenge called Roanoke one of its 4-Star Business Opportunities Metros. Roanoke was named a 2006 impressive city for its environmental friendliness by *Delicious Living* magazine. Finally, the Center for Digital Government honored Roanoke for the fourth time as the most efficient city in its population category in utilizing technology to serve its citizens.

### **Prospects for the Future**

The City's Comprehensive Plan, Vision 2001, was adopted to guide development decisions for years to come. Following the adoption of the Plan, the City adopted a major rewrite of the zoning ordinance, creating the zoning parameters necessary for village centers, live-work space, design overlays and other elements of the Comprehensive Plan.

During fiscal year 2006, the City concluded an 18-month comprehensive study of its public library system. Its purpose was to provide recommendations for improving library services and facilities as well as to present the community with a picture of what the future library system should look like – an anchor for downtown revitalization and cultural institutions. Phase I of the Library Comprehensive Plan is currently underway.

Construction of the new downtown Fire-EMS Station moved forward and, when completed, will provide better allocation of resources and improve response times to calls for service. The construction is scheduled to be completed by March 2007. Land has also been acquired for the future construction of the Williamson Road Fire Station and the Melrose Fire Station.

The City continues to make a substantial investment in Roanoke Public Schools, both operationally and in support of school capital projects. Phase 1 of the new Patrick Henry High School – classrooms, a library, and a cafeteria – was completed and students moved into the facilities in January. Construction of Phase 2 at Patrick Henry High School is underway and includes the addition of a gym and fine arts wing. Plans for the replacement of William Fleming High School are also underway.

City staff is in the process of evaluating recommendations outlined in the Market District Plan directed at further enhancing the Historic market as the geographic and social focal point of the Roanoke Valley. Among the ideas currently being addressed are replacing awnings, renovating the Market Garage, enhancing the appearance and lighting of the Market Building's food court, defining uses for the upper floors of the Market Building, enhancing streetscape options, and examining a plan for a stepped plaza from the pedestrian bridge.

The City is working on the development of a utility system master plan with surrounding localities to examine the adequacy of utility infrastructure and recommend needed improvements. Roanoke Valley governments continue to seek out new ways to collaborate in order to deliver the best services to our citizens. Other regional initiatives include the delivery of fire and emergency medical services, transportation services, and cooperation between local governments and businesses to attract a low-fare carrier to the Roanoke Regional Airport.

The City continues to plan for its future and provide the necessary funds to not only protect its current assets, but also to create new opportunities. This approach has served the City well and will be the basis for continued growth.

### **Accounting System and Budgetary Controls**

The City has established a comprehensive internal control framework designed to both safeguard the government's assets against loss from unauthorized use or theft and to properly record and adequately document transactions in order to compile information for the presentation of the City's basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Within the upcoming five year period, the City plans to upgrade or replace a number of its financial systems with the goals of obtaining enterprise functionality and of utilizing technology that maximizes the user's ability to retrieve data. The systems included in the scope of this project include financial, payroll/human resources, budget, and tax/treasury. System replacement projects either completed or

underway include the accounting system and the budget system. All financial and accounting records of the City and Schools are currently maintained on the Advantage Financial System, a product of CGI, designed especially for local governments. Advantage is an integrated financial management system supporting the requirements for local government accounting and reporting established by the GASB. An upgrade to the Advantage browser version occurred on July 5, 2006. This project included upgrades to the base financial system as well as the purchasing and fixed assets subsystems. Implementation of the vendor self-serve functionality is currently under way. Additionally, Phase I of a new budget preparation system was implemented in December 2005. This new budget system will streamline the budget process and promote a paperless work environment. Phase II, to be implemented in subsequent years, involves an upgrade to a web-based version of the budget system. Plans for financial system replacement also include the implementation of a tax/treasury system, which is currently underway.

### **City of Roanoke Pension Plan**

The City of Roanoke Pension Plan is a self-administered, multiple-employer retirement plan, which covers all City employees except the Sheriff's employees, who participate in the Virginia Retirement System. The City funds the pension plan on an actuarial basis. The contribution required for the year ended June 30, 2006 was \$7,374,268. This was \$1,926,753 more than the required contribution in the preceding fiscal year. Consistent with prior years, the City continues to fully fund its pension plan at the actuarially recommended rate. As of June 30, 2006, the market value of plan assets approximated 95% of the accrued liability. Additional information is available in Note 12 to the basic financial statements and in the separately issued Comprehensive Annual Financial Report of the City of Roanoke Pension Plan.

### **Capital Financing and Debt Service**

The City's current debt policy was adopted by City Council in 1999 and was most recently amended in 2005. The debt policy includes guidelines that: (a) net debt will not exceed 5% of assessed value of real estate; (b) 50% or more of aggregate outstanding principal will be redeemed within ten years; and (c) non-proprietary general obligation debt services shall not exceed 10% of General Fund expenditures. The City monitors these ratios to ensure ongoing compliance with the debt policy. Additional disclosures regarding the City's long-term obligations are provided in the MD&A, Notes 9 and 10 to the basic financial statements, and Tables 13 and 14 in the Statistical section.



In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital Improvement Program Update. This specifies the capital improvement and construction projects which will be funded over the upcoming five-year period in order to maintain or enhance the City's \$449 million in net capital assets. Detailed project descriptions, cost estimates, and funding sources are included. The City's Capital Improvement Program for FY 2007 through FY 2011 represents \$237 million of public improvements to the City's schools, public buildings, infrastructure, parks and various economic development projects. Resources accumulated to meet these priority needs are accounted for in the Capital Projects and Proprietary Funds.

### **Cash Management**

As discussed more fully in Notes 1 and 2 to the basic financial statements, the City utilizes the pooled cash concept in order to maximize investment flexibility and achieve the best possible investment return. The City obtains the highest rate available by utilizing competitive bidding for investments among banks, professional money managers and participation in state investment pools.

Cash temporarily idle during the year is invested in instruments as allowed by the Code of Virginia, Chapter 3, Title 26, and in accordance with the City's investment policy. The objectives of this policy are to invest the maximum available funds while providing sufficient flexibility to meet cash requirements. Additionally, the policy strives to assure security of principal and to obtain the highest competitive yield on investments.

### **Risk Management**

The City's risk management program is designed to protect against accidental losses that would affect the City's ability to fulfill its responsibility to the taxpayers and the public. To limit its exposure to the various risks of loss, the City carries several types of insurance and is self-insured for workers' compensation and certain property and liability claims. The City is also self-insured for employee health insurance with stop loss provisions to limit catastrophic claims. The Risk Management Division manages the self-insurance programs with the assistance of third-party administrators. Revenues are generated through charges to employees and departments to pay for claims costs. An actuarial evaluation is performed annually by a third party actuary to ensure the City's accrued liability for unpaid losses is adequate.

To compliment its risk management program, the City provides an extensive wellness program, including an on-site doctor, coordinated by the City's occupational health office. Additional disclosures regarding the City's risk management program are provided in Note 13 to the basic financial statements.

### **Auditing**

City Charter § 25.2 provides for a Municipal Auditor appointed by City Council and reporting to the Audit Committee. The Municipal Auditor provides a continuing review of the internal controls and financial operations of the City, Transit Company, and Roanoke City Public Schools; coordinates audit efforts; and regularly provides reports to the Audit Committee.

City Code § 2-297 and 2-298 establishes the Audit Committee as a permanent committee of the City Council composed of at least three members of Council. The Audit Committee acts in an advisory capacity to the City Council, the Municipal Auditor, the Director of Finance, and the City Manager. Currently, all seven council members participate on the Audit Committee.

### **Certificates of Achievement for Excellence**

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both United States generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR.

A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for the last thirty-two consecutive years (fiscal years ended 1974 - 2005). We believe this report conforms to the Certificate of Achievement program requirements and standards, and we are submitting it to the GFOA to determine its eligibility for another certificate.

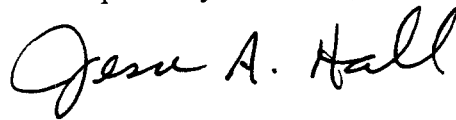
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2006. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several

categories, including as a policy document, a financial plan, an operations guide and a communications device. The City has been a recipient of the Distinguished Budget Award for the last twenty-one consecutive years.

### **Acknowledgments**

We would like to express our appreciation to the staff of the Department of Finance for their dedication in assuring the financial integrity of the City and the preparation of this report. Appreciation is also expressed to City Council for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Jesse A. Hall". The signature is written in a cursive style with a large, prominent "J" and "H".

Jesse A. Hall, CPA

Director of Finance

A handwritten signature in black ink that reads "Darlene L. Burcham". The signature is written in a cursive style with a large, prominent "D" and "B".

Darlene L. Burcham

City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Roanoke  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Emen*

Executive Director

**CITY OF ROANOKE**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**JUNE 30, 2006**

**Members of City Council**

C. Nelson Harris  
Beverly T. Fitzpatrick, Jr.  
M. Rupert Cutler  
Alfred T. Dowe, Jr.  
Sherman P. Lea  
Brenda L. McDaniel  
Brian J. Wishneff

*Mayor*  
*Vice Mayor*

**Constitutional Officers**

Brenda L. Hamilton  
Octavia L. Johnson  
Donald S. Caldwell  
Evelyn W. Powers  
Sherman A. Holland

*Clerk of Circuit Court*  
*Sheriff*  
*Commonwealth's Attorney*  
*Treasurer*  
*Commissioner of Revenue*

**City Council Appointed Officials**

Darlene L. Burcham  
Jesse A. Hall, CPA  
William M. Hackworth  
Mary F. Parker  
Troy A. Harmon, CPA

*City Manager*  
*Director of Finance*  
*City Attorney*  
*City Clerk*  
*Municipal Auditor*

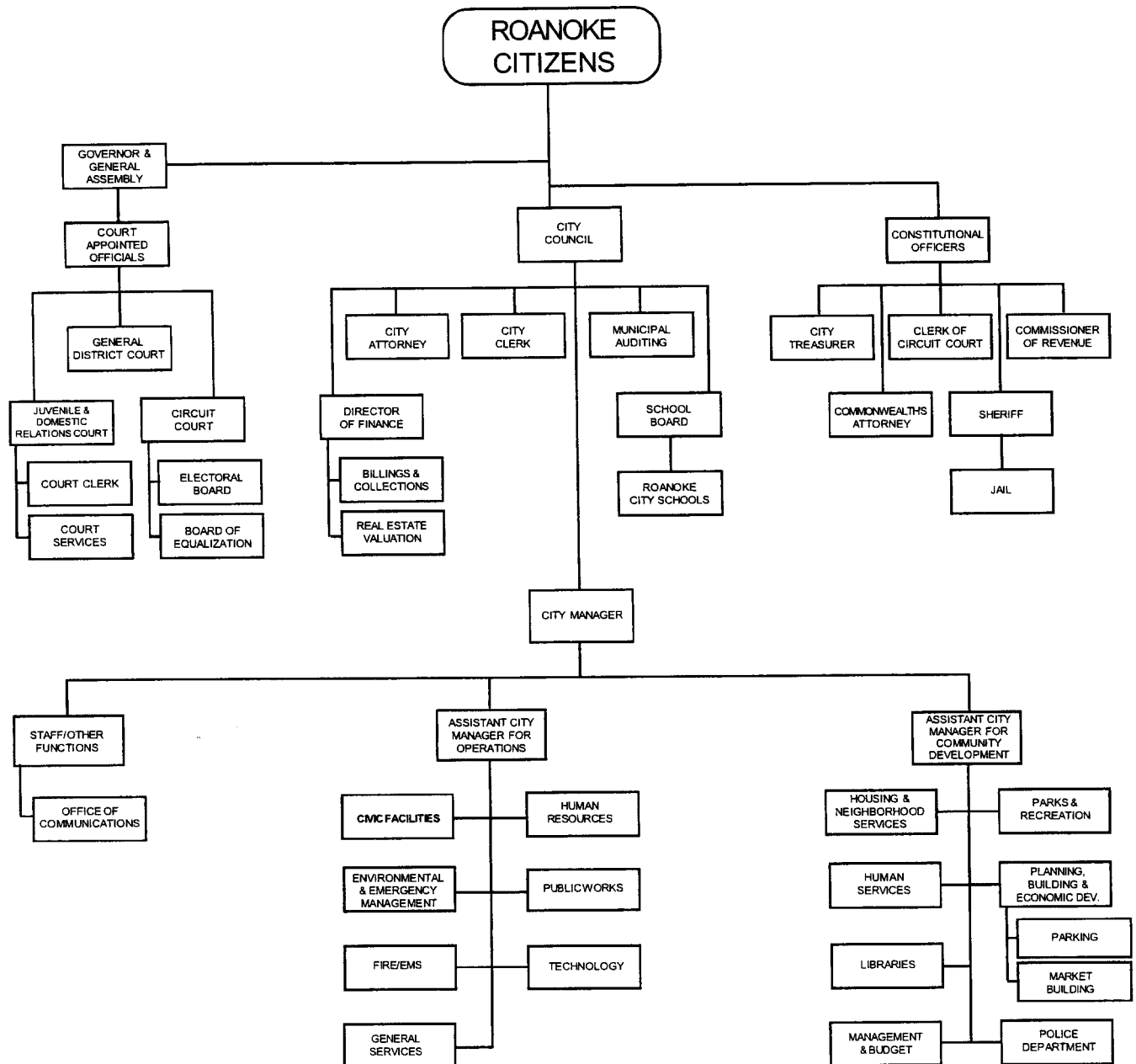
**Other City Officials**

Rolanda B. Russell  
James Grigsby

*Assistant City Manager*  
*Acting Assistant City Manager*

# CITY OF ROANOKE, VIRGINIA

## ORGANIZATIONAL CHART



## ***FINANCIAL SECTION***

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KPMG LLP  
Suite 1710  
10 South Jefferson Street  
Roanoke, VA 24011-1331

## Independent Auditors' Report

The Honorable Members of City Council  
City of Roanoke, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Roanoke, Virginia (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Roanoke, Virginia as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1(L) to the basic financial statements, the City adopted the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective July 1, 2005.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2006 on our consideration of the City of Roanoke, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.





The accompanying Management's Discussion and Analysis on pages 23 through 35, the Budgetary Comparison Schedule – General Fund, the Schedule of Funding Progress, and the Notes to Budgetary Comparison Schedule – General Fund on pages 98 through 102 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

KPMG LLP

December 6, 2006

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**CITY OF ROANOKE, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2006**

The following discussion and analysis of the City of Roanoke, Virginia's (the City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets, excluding those of its component unit, on the government-wide basis, totaled \$292,664,258 at June 30, 2006. Of this amount, \$63,382,310 may be used to meet ongoing obligations to citizens and creditors, and \$229,076,196 is invested in capital assets, net of related debt. Net assets of \$205,752 are restricted to pay for upgrades to the wireless E911 system.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$162,638,212, which totaled \$11,786,744 less than the general revenues, net of transfers of \$174,424,956.
- At June 30, 2006, the City's governmental funds balance sheet reported total ending fund balances of \$84,818,959. Of this amount, \$60,930,145 remains in the various governmental funds of the City as unreserved.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Our discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements present two types of statements, each with a different snapshot of the City's finances. The focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the City's overall financial status. The fund financials focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements, which present a longer-term view. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and better reflects the City's accountability.

**Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements provide information about the City as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question, "Is the City's financial position, as a whole, better or worse as a result of the year's activities?"

One of the main goals of these two statements is to report the City's net assets and changes that affected net assets during the fiscal year. The change in the City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Increases or decreases in net assets are indicators of whether the City's financial health is improving or deteriorating. Other

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

nonfinancial factors, such as changes in the City's property tax base and the condition of the City's infrastructure should also be considered in assessing the overall financial health of the City.

In the Statement of Net Assets and the Statement of Activities, the City's fund-based activity is classified as follows:

Governmental activities – Most of the City's basic services are reported here, including general government, judicial administration, public safety, public works, health and welfare, parks and recreation, and community development departments. Property taxes, other local taxes, and federal and state grants finance most of these activities.

Business-type activities – The City's Greater Roanoke Transit Company (Transit Company), Civic Facilities, Parking, and Market Building operations are reported here as the City charges a fee to customers designed to cover all or most of the cost of services it provides.

Component unit – The City includes a discretely presented component unit in this report, the School Board of the City of Roanoke. Although legally separate, the component unit is important because the City is financially accountable for it.

### **Fund Financial Statements**

The fund financial statements begin on page 40 and provide detailed information about the most significant funds, not the City as a whole. The City has three types of funds:

Governmental funds – Most of the City's basic services are included in governmental funds. Fund-based statements for these funds focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits D and F on pages 41 and 43, respectively.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, utilize the accrual basis of accounting, and their statements provide both short and long-term financial information.

The City's enterprise funds, one type of proprietary fund, are the same as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The City's enterprise funds include the Transit Company, Civic Facilities, Parking, and Market Building funds.

The City uses internal service funds, another type of proprietary fund, to report activities that provide supplies and services by one City department to other City departments on a cost reimbursement basis. Internal service fund rates are evaluated annually and adjusted as considered necessary with the goal of providing adequate revenues to cover operating and capital expenditures on an ongoing basis. Funds included in this category are Department of Technology, Fleet Management, and Risk Management.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Internal service fund activities are reported as governmental activities on the government-wide statements.

Fiduciary funds – Resources held for other governments, individuals, or agencies not part of the City are reported as fiduciary funds. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Roanoke Pension Plan is reported as a pension trust fund. The City accounts for assets held on behalf of the Hotel Roanoke Conference Center Commission as an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A comparative analysis of government-wide information is as follows:

### Summary of Net Assets:

The following table presents a condensed summary of net assets:

**Summary of Net Assets  
as of June 30, 2006 and 2005  
(In Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		(restated)				(restated)
Current and other assets	\$ 160.5	\$ 156.0	\$ 14.0	\$ 13.3	\$ 174.5	\$ 169.3
Capital assets, net	385.1	361.2	64.3	53.3	449.4	414.5
<b>Total assets</b>	<b>545.6</b>	<b>517.2</b>	<b>78.3</b>	<b>66.6</b>	<b>623.9</b>	<b>583.8</b>
Other liabilities	23.0	50.8	2.5	2.3	25.5	53.1
Long-term liabilities	279.1	234.7	26.6	17.4	305.7	252.1
<b>Total liabilities</b>	<b>302.1</b>	<b>285.5</b>	<b>29.1</b>	<b>19.7</b>	<b>331.2</b>	<b>305.2</b>
Net assets:						
Invested in capital assets, net of related debt	191.0	200.9	38.1	42.0	229.1	242.9
Restricted	0.2	0.3	-	-	0.2	0.3
Unrestricted	52.3	30.5	11.1	4.9	63.4	35.4
<b>Total net assets</b>	<b>\$ 243.5</b>	<b>\$ 231.7</b>	<b>\$ 49.2</b>	<b>\$ 46.9</b>	<b>\$ 292.7</b>	<b>\$ 278.6</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The City's Primary Government combined net assets increased from \$278.6 million to \$292.7 million as a result of the increase in net assets of governmental activities of \$11.8 million and of business-type activities of \$2.3 million. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City, totaled \$63.4 million. Net assets invested in capital assets, net of related debt, represents the amount of capital assets owned by the City, including infrastructure, net of any outstanding debt issued to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. In fiscal year 2006, grant funds received, but not yet spent, from the Virginia State Wireless E911 Services Board to complete upgrades to the wireless E911 system are reported as restricted net assets of governmental activities.

### Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the government:

<b>Summary of Changes in Net Assets</b> <b>For the Years Ended June 30, 2006 and 2005</b> <b>(In Millions)</b>							
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	
<b>Revenues</b>							
Program Revenues:							
Charges for services	\$ 15.1	\$ 14.7	\$ 7.7	\$ 7.2	\$ 22.8	\$ 21.9	
Operating grants and contributions	59.2	56.2	3.4	3.3	62.6	59.5	
Capital grants and contributions	0.1	0.2	1.4	1.0	1.5	1.2	
General Revenues:							
Property taxes	86.6	81.1	-	-	86.6	81.1	
Local portion of state sales tax	20.6	19.7	-	-	20.6	19.7	
Business and professional occupational license taxes	12.9	11.3	-	-	12.9	11.3	
Utility taxes	13.2	13.9	-	-	13.2	13.9	
Prepared food and beverage taxes	10.6	8.0	-	-	10.6	8.0	
Commonwealth share-personal property taxes	7.9	8.3	-	-	7.9	8.3	
Cigarette taxes	2.1	1.9	-	-	2.1	1.9	
Transient room taxes	2.5	2.3	-	-	2.5	2.3	
Other taxes	9.1	8.9	-	-	9.1	8.9	
Interest and investment income	3.4	2.4	0.1	0.1	3.5	2.5	
Other	11.8	6.9	0.4	0.5	12.2	7.4	
<b>Total Revenues</b>	<b>255.1</b>	<b>235.8</b>	<b>13.0</b>	<b>12.1</b>	<b>268.1</b>	<b>247.9</b>	

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Summary of Changes in Net Assets For the Years Ended June 30, 2006 and 2005 (In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Expenses</b>						
General Government	\$ 13.1	\$ 12.5	\$ -	\$ -	\$ 13.1	\$ 12.5
Judicial Administration	7.8	7.1	-	-	7.8	7.1
Public Safety	60.3	56.0	-	-	60.3	56.0
Public Works	25.4	25.4	-	-	25.4	25.4
Health and Welfare	36.9	35.1	-	-	36.9	35.1
Parks, Recreation and Cultural	10.7	9.3	-	-	10.7	9.3
Community Development	10.4	9.9	-	-	10.4	9.9
Education	57.9	54.7	-	-	57.9	54.7
Economic Development	3.1	7.2	-	-	3.1	7.2
Interest and Fiscal Charges	11.5	11.7	-	-	11.5	11.7
Transit Company	-	-	7.8	7.6	7.8	7.6
Civic Facilities	-	-	5.0	4.6	5.0	4.6
Parking	-	-	2.0	2.0	2.0	2.0
Market Building	-	-	0.3	0.5	0.3	0.5
Other	-	-	0.3	-	0.3	-
<b>Total Expenses</b>	<b>237.1</b>	<b>228.9</b>	<b>15.4</b>	<b>14.7</b>	<b>252.2</b>	<b>243.6</b>
<b>Increase (Decrease) in Net Assets before Transfers and Special Item</b>	<b>18.0</b>	<b>6.9</b>	<b>(2.4)</b>	<b>(2.5)</b>	<b>15.6</b>	<b>6.7</b>
Transfers	(4.7)	(2.9)	4.7	2.9	-	-
Special Item	(1.5)	-	-	-	(1.5)	-
<b>Increase in Net Assets</b>	<b>11.8</b>	<b>4.0</b>	<b>2.3</b>	<b>0.3</b>	<b>14.1</b>	<b>4.3</b>
Net Assets, Beginning, as restated	231.7	213.9	46.9	46.6	278.6	260.5
Net Assets, Ending	<u>\$ 243.5</u>	<u>\$ 217.9</u>	<u>\$ 49.2</u>	<u>\$ 46.9</u>	<u>\$ 292.7</u>	<u>\$ 264.8</u>

The restatement of beginning net assets for the year ended June 30, 2006 arises from the retroactive capitalization of infrastructure in accordance with GASB Statement No. 34. Further details are presented in note 1 to the Basic Financial Statements. Also during the current year, the City adopted GASB Statement No. 42 resulting in an impairment loss reflected as a special item in the Statement of Activities. Further details are presented in note 7 to the Basic Financial Statements.

The property tax classification, which comprises approximately 35% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$64.4 million. The assessed value of real property in the City increased for the 2006 calendar year as a result of a reassessment increase and new construction. The real estate market continued to be positively impacted by the interest rate environment.

Personal property tax revenue, including the Commonwealth share, totaled \$25.1 million. In 1998, the General Assembly enacted the Personal Property Tax Relief Act (PPTRA), which provided relief from personal property taxes otherwise payable on the first \$20,000 of value for qualifying vehicles. This relief was provided for vehicles owned by individuals and utilized for personal use. In 2004 and 2005, additional legislation was passed to amend the original Act. This legislation capped PPTRA at \$950

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

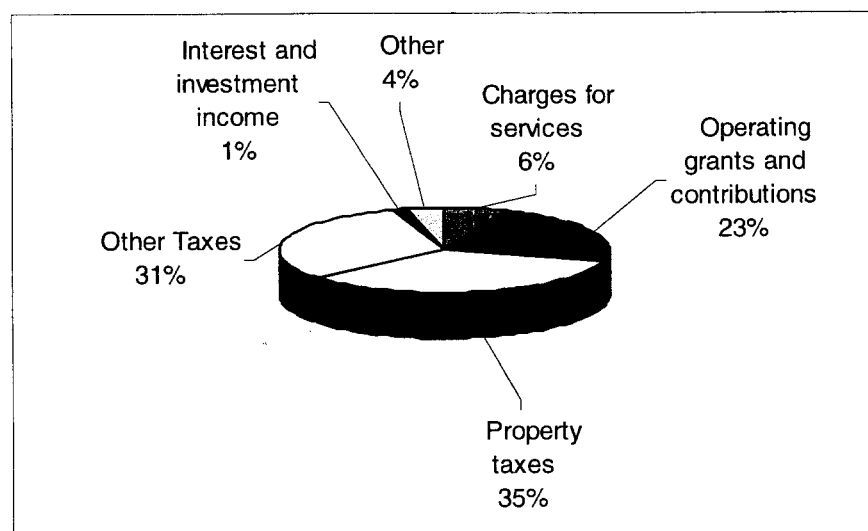
million for all Virginia localities for Tax Years 2006 and beyond. PPTRA funds are allocated to individual localities based on each government's pro rata share of Tax Year 2004 payments from the Commonwealth. The City's share of the \$950 million is \$8,075,992, which represents 66.19% tax relief on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

Sales taxes, utility taxes, business and professional occupational license taxes, prepared food and beverage taxes, transient room taxes, cigarette taxes and utility taxes comprise the majority of other local taxes collected by the City. Other taxes comprise approximately 31% of total revenues generated for governmental activities.

Operating grants and contributions comprise approximately 23% of governmental activities revenues. Street maintenance funds, the jail block grant, reimbursement for social service programs, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as fines, court fees, inspection fees, reimbursements for housing prisoners, garbage collection fees, and recreation and other program-based fees.

Revenues generated for governmental activities are presented below by category:



Public Safety expenses comprised approximately 26% of expenses of the governmental activities. Operations of the labor-intensive Jail, Police and Fire Departments are included in this category, along with expenses of Emergency Medical Services, Communications (E911 Call Center), and the cost of juvenile justice programs.

Education expenses comprises 24% of governmental activities. Funding of \$57.9 million was provided to the Roanoke City School Board to support School operations.

Public Works and Health and Welfare expenses comprised approximately 11% and 16%, respectively, of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. The Comprehensive

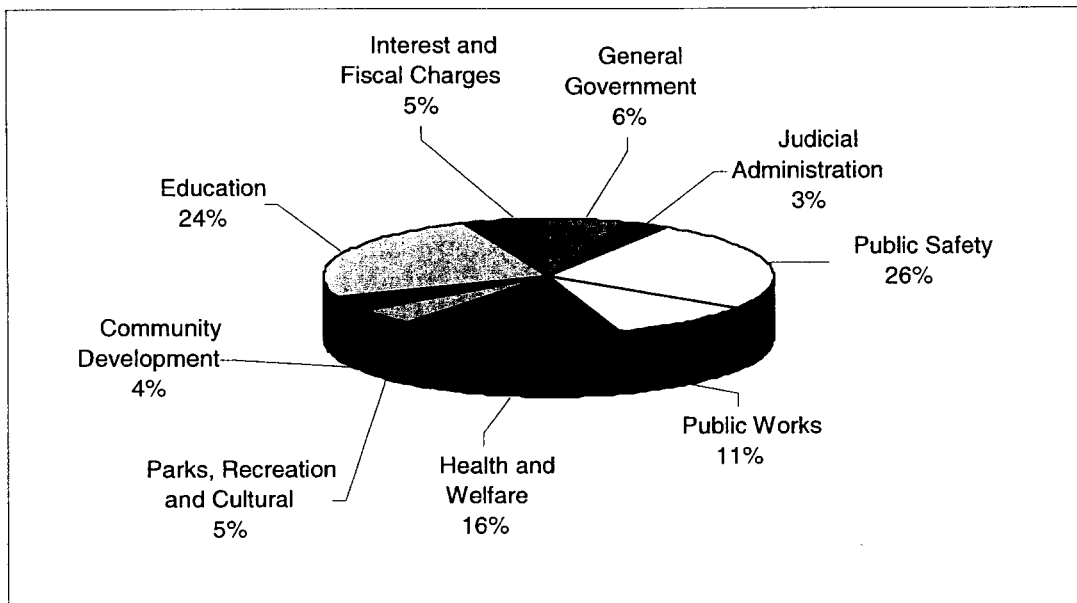


## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category.

Approximately \$3.0 million in cash transfers were made to business-type activities, which represented operating subsidies and the transfer of prior year fund balances appropriated to business-type activities. Capital assets valued at approximately \$1.7 million were also transferred to business-type activities. This was mainly the result of a market building renovation project funded by the Capital Projects Fund but transferred to the Market Building Fund upon completion.

Expenses of the governmental activities are shown below by functional area:



The net assets of governmental activities increased \$12.0 million during 2006. Significant current year activities affecting net assets include:

- Growth in real estate revenues led performance of local tax revenues. Due to a continued strong housing environment, current year revenues continued to grow. Sales tax revenues also increased as the result of an improved economy. Other local taxes such as the prepared food and transient taxes also grew.
- Expenses of general government programs were contained well within budget as a means of responding to the continued budgetary pressures.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The net assets of business-type activities increased approximately \$2.3 million during 2006. Significant current year activities affecting net assets include:

- Revenues of most of the Enterprise Funds are designed to generate working capital for future capital needs.
- An increase in operating and capital subsidies provided by the General Fund to the Civic Facilities Fund and Transit Company as well as the transfer of a completed capital project to the Market Building Fund which was funded by the General Fund.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

For the fiscal year ended June 30, 2006, the governmental funds reflect a total fund balance of \$84,818,959. Approximately \$60.1 million of this amount constitutes unreserved fund balance, which is available for spending for services and capital projects. Unreserved fund balance is designated to purchase capital equipment, pay self-insured claims, fund future debt service requirements, and pay for future years' capital projects expenditures. The remainder of fund balance is reserved for encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unreserved fund balance was \$22,121,582, while the total fund balance was \$23,340,852. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 10.9% of the total General Fund expenditures and other financing uses, while total fund balance represents 11.5% of that same amount.

The fund balance of the General Fund increased by \$2,290,598 during the current fiscal year. The General Fund begins each fiscal year with budgeted revenue and expenditure amounts that are equal. During the year, a portion of the previous year's fund balance is appropriated and expended. In addition, encumbrances unpaid at the end of the prior year are liquidated, increasing expenditures.

Local taxes generated the majority of General Fund revenue, totaling approximately \$156.3 million in fiscal year 2006. Reassessments and a strong housing market provided growth in real estate tax revenue, and strong performance of the personal property tax led the performance of other local taxes. An increase in sales tax revenues and transient occupancy tax revenues are indicative of a continued positive trend in consumer spending in Roanoke. Furthermore, a prepared food and beverage tax rate increase from 4% to 5% generated additional local revenue.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$60.4 million in fiscal year 2006. Almost all of this revenue is received from the Commonwealth and includes reimbursement for social services programs, law enforcement funding received under House Bill 599, jail block grant and street maintenance funds. In the current fiscal year, reimbursement received under the Comprehensive Services Act increased. Street maintenance funding, law enforcement funding through HB 599, and funding from the State Compensation Board for Constitutional Officers also increased over the prior year.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Capital Projects Fund balance increased approximately \$1.2 million. Significant activities of the fund included capital outlay of approximately \$38.4million and proceeds from the issuance of debt of approximately \$31.7 million. Transfers from the General Fund totaling \$4.0 million represented cash funding to projects and the transfer of prior years' fund balance appropriated to the Capital Projects Fund.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues exceeded the original budgeted revenues by \$8,807,174 and final budgeted revenues by \$4,142,166, or 1.7%. General property taxes exceeded final budget by 1.4%, and other local taxes exceeded final budgeted revenues by 6.1%. The local tax revenues in excess were primarily from sales tax, utility taxes, business and professional occupational license tax, and the prepared food and beverage tax. The intergovernmental and charges for services categories did not meet budget estimates. This was partially due to Social Service programs which were under the expenditure budget and the reimbursement-based revenue budget. Additionally, a decline in the number of prisoners housed from other localities precipitated a decline on charges for services revenue.

General Fund expenditures and transfers were greater than the original budget by \$7,735,846 or 3.5% due to supplemental appropriations, but were less than the final amended budget by \$2,329,291 or less than 1.0%. In an effort to continue to carefully manage the City's expenditures, spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing salary lapse were continued. During fiscal year 2006, City Council amended the budget several times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

- To reappropriate funds to pay commitments in the form of encumbrances established prior to June 30, 2005 but not paid by that date. Encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2005 totaled \$1,389,488.
- To appropriate the June 30, 2005 undesignated General Fund balance of \$3,843,911 to finance capital equipment and a variety of projects in other funds of the City.
- To appropriate additional grant funds of \$1,037,637 received under the Comprehensive Services Act.

### **CAPITAL ASSETS**

As of June 30, 2006, the City's capital assets for its governmental and business-type activities amounted to \$449,505,138 net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The total net increase (additions less retirements and depreciation) in the City's investment in capital assets for the current fiscal year was \$34.9 million or 8.0%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The changes in each category of Capital Assets are presented in detail in note 6 to the Basic Financial Statements.

### Capital Assets Net of Depreciation (In Millions)

	Governmental Activities		Business-Type Activities		Total	
	Balance June 30, 2006	Balance June 30, 2005 (restated)	Balance June 30, 2006	Balance June 30, 2005	Balance June 30, 2006	Balance June 30, 2005 (restated)
Land and Improvements	\$ 35.5	\$ 32.4	\$ 4.3	\$ 4.2	\$ 39.8	\$ 36.6
Buildings and Improvements	138.7	114.7	39.0	38.5	177.7	153.2
Equipment	17.9	19.1	6.2	6.3	24.1	25.4
Infrastructure	125.3	123.1	-	-	125.3	123.1
Construction in Progress	67.7	71.9	14.8	4.3	82.5	76.2
Total	<u>\$ 385.1</u>	<u>\$ 361.2</u>	<u>\$ 64.3</u>	<u>\$ 53.3</u>	<u>\$ 449.4</u>	<u>\$ 414.5</u>

Major capital asset events during the fiscal year included the following:

- Construction of the new Patrick Henry High School continued with expenditures of \$15.8 million and completion of Phase I of the project. Other educational projects included expenditures of \$1.7 million on the Westside Elementary renovation.
- Major governmental projects on facilities other than schools included expenditures of approximately \$2.9 million on Phase II Police Building expansion. Construction began on Fire/EMS Administration Facility Improvements with current year spending of approximately \$1.9 million. Additionally, the purchase of Countryside Golf Course resulted in approximately \$4.1 million in current year capital asset additions.
- Business-type capital asset activities included current year costs of approximately \$9.5 million on the Civic Center Phase II expansion. The Tower Parking Garage renovation also resulted in approximately \$275,000 of capital asset additions during the year.

### LONG-TERM DEBT

At June 30, 2006, the City's long-term liabilities, excluding compensated absences and claims payable, totaled \$290,072,188 comprised of \$263,595,967 related to governmental activities, and \$26,476,221 related to business-type activities. Total debt increased by \$25,664,797 during the fiscal year. Changes in long-term debt during fiscal year 2006 resulted from payment of principal on existing debt, issuance of the Series 2005, 2006A, 2006B, and 2006C general obligation public improvement bonds, and Series 2005D VPSA bonds to fund the Fallon Park and Westside elementary school renovation projects. Detailed information regarding these changes in long-term debt is disclosed in Notes 9 and 10 to the financial statements.

With its most recent rating, the City maintained ratings of AA, Aa3, and AA from Fitch Ratings, Moody's Investor Service and Standard & Poor's Ratings Services, respectively.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Charter of the City of Roanoke and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate within the City limits. This limit applies to governmental fund supported-tax supported debt only, as some long-term liabilities of business-type funds will be met by revenues generated by those funds. The City considers long-term debt of its Civic Facilities and Parking Enterprise Fund to be self-supporting. Additionally, the City contractually receives from the Western Virginia Water Authority repayment on \$31,315,992 of general obligation debt. The City's tax-supported debt of \$239,565,221 less the Debt Service Fund Balance of \$1,063,737 designated for the repayment of debt service, is well below the legal debt limit of \$535,163,357.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than claims payable and compensated absences, as its own. In addition to bonded debt and capital lease obligations, the City's long-term obligations include compensated absences and claims payable. Additional information concerning the City's long-term liabilities is presented in notes 9 and 10 to the Basic Financial Statements.

Interest and fiscal charges for 2006 were \$11,588,440 or 4.9% of total governmental activities expenses.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The MSA unemployment rate, not seasonally adjusted, was 3.9% in fiscal year 2006. Consistent with trends at state and national levels, this represents a slight increase over the prior year. Employment in Roanoke is diverse with representation within our MSA of all census-defined industries. Roanoke is home to 47% of jobs within our MSA. The industries providing the largest number of jobs in our region are health care and social assistance. For the quarter ended March 2006, Roanoke's unemployment rate approximated the state average and was nearly one percent lower than the national average.

Roanoke's per capita income grew 4.3% from the fiscal year 2005 to 2006, promising growth in light of the increase in the consumer price index. While Roanoke's income levels trail state and national averages, they compare quite positively when adjusted for the cost of living.

Fiscal year 2006 performance was indicative of an improving local economy due to continued strong performance of the real estate tax as well as growth in a number of other local taxes. The personal property tax, sales tax, business license, prepared food and beverage tax, and transient lodging tax all experienced higher than average growth in FY 2006. This performance is indicative of a healthy local economy and vibrant consumer spending in our City.

While the local tax performance was strong throughout fiscal year 2006, other economic factors posed challenges such as rising construction costs and increased fuel prices, which impact many industries. In addition, the interest rate grew steadily during fiscal year 2006 which both benefits the City in terms of income on investments but generates increased interest expense on long term borrowing as well. Fuel prices are expected to stabilize during the upcoming year, but interest rates are expected to continue to increase during the same period. The City's capital improvement program includes a number of significant construction projects which are impacted by these trends such as renovation of our two high schools, the Civic Center expansion and public safety building improvements.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Real estate values in Roanoke continued to grow during fiscal year 2006. The average value of a single family dwelling increased from \$110,000 in FY 2005 to approximately \$124,000 in FY 2006, representing growth of 12.7%. The number of housing units increased slightly.

Roanoke's strength as a retail center continued in the past fiscal year due to the opening of new stores in the Valley View Mall area. Continued expansion will occur in the upcoming year as the District at Valley View brings about 58,000 additional square feet of retail space. The strength of our sales tax and our position nationally as a leader in per capita sales is indicative of the importance of retail to our economy.

Local taxes are a primary measure of the health of the local economy and comprise 66% of all budgeted fiscal year 2007 General Fund revenues. The General Fund adopted budget for 2007 reflects growth of 7.1% overall. Growth is the result of a continued increase in real property assessments, continued expected growth in other local taxes and growth in several key intergovernmental revenues. The budget was adopted with a decrease in the real estate tax and increase in the cigarette tax. Effective July 1, 2006, the real estate tax decreased from \$1.21 to \$1.19 per \$100 assessed value. Conversely, the cigarette tax was increased from 27¢ to 54¢ per twenty pack also effective July 1, 2006. City Council's strategy with these decisions was to grant relief to home owners in light of the strong growth of assessed values during recent years and to replace that lost revenue with taxation of cigarette stamps. Funding from the Commonwealth will increase in the areas of funding for law enforcement and social services. Additionally, adoption of the state telecommunications tax, effective January 1, 2007, will shift revenue from the local tax category to the intergovernmental category. While this change is intended to be revenue neutral to local governments, careful monitoring and analysis will be made in upcoming periods to determine the impact of this change. The City's annual telecommunications tax base impacted by this legislation is approximately \$7.3 million.

The City's priority funding needs include education, compensation of employees and capital funding. Funding to the Schools increased \$3.4 million or just over 6.3% from the adopted level of FY 2006. The funding is determined using a funding formula and provides for pay raises for instructional personnel and supports growth in the Schools needed to adhere to accreditation standards. To ensure that the City maintains a competitive compensation package to retain high-performing employees, a 4.0% average employee raise was adopted as part of the fiscal year 2007 budget. Additional contributions were made toward the cost of employee medical insurance and the City's Pension Plan. Funding in the amount of \$3.0 million is included in the 2007 budget to support critical capital improvement needs in the community, a slight increase compared to the prior fiscal year. In recent budget years, the City has strived to allocate increasing amounts of funding to address capital and maintenance needs such as street paving, fleet replacement and upkeep, technology needs and building maintenance requirements.

As we look to the future, challenges which will face the City include our strategy for containment of health care expenses including post-retirement costs as required by GASB Statement No. 45. Additionally, we will strategize to determine the most efficient ways to deliver services to citizens which may include further regionalization or consolidation of services with the School System. Positive influences will be the continued strength and prosperity of our local economy and draw as a regional center. The real estate growth in our area will slow, but we do not expect to see the dramatic declines that some areas of the state or nation have experienced.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Performance through the first quarter of fiscal year 2007 indicates moderate growth in local tax revenues. Growth is led by increased real estate revenues, up 9% through September 2006 as anticipated based assessment growth offset by the tax rate decrease. Growth is evident in the sales tax, transient room tax and the prepared food and beverage tax. We anticipate modest growth in fiscal year 2007 as a whole.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Director of Finance, PO Box 1220, Roanoke, Virginia 24006, telephone (540) 853-2821. The City's website address is [www.roanokeva.gov](http://www.roanokeva.gov).



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**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 38,136,095	\$ 3,085,361	\$ 41,221,456	\$ 2,919,910
Investments	59,641,894	8,524,900	68,166,794	-
Interest and Dividends Receivable	847,122	-	847,122	-
Due from Component Unit	3,642,428	-	3,642,428	-
Due from Other Governments	40,397,814	610,073	41,007,887	8,064,527
Internal Balances	(891,601)	891,601	-	-
Taxes and Accounts Receivable, Net	14,080,471	171,414	14,251,885	24,349
Note Receivable	3,685,520	-	3,685,520	-
Inventory	203,092	380,516	583,608	-
Other Assets	706,478	302,013	1,008,491	-
Capital Assets:				
Land, Construction in Progress, Right-of-Way, and Historical Treasures	122,728,109	19,014,387	141,742,496	-
Other Capital Assets, Net	262,403,488	45,359,153	307,762,641	4,226,716
Capital Assets, Net	385,131,597	64,373,540	449,505,137	4,226,716
<b>Total Assets</b>	<b>\$ 545,580,910</b>	<b>\$ 78,339,418</b>	<b>\$ 623,920,328</b>	<b>\$ 15,235,502</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 13,045,015	\$ 2,084,227	\$ 15,129,242	\$ 2,145,763
Accrued Interest Payable	3,927,348	412,089	4,339,437	-
Due to Other Governments	2,001,456	10,687	2,012,143	51,193
Due to Primary Government	-	-	-	3,642,428
Deferred Revenue	4,003,646	-	4,003,646	-
Other Liabilities	498	96,467	96,965	-
Long-term Liabilities Due Within One Year	26,714,031	1,385,783	28,099,814	4,919,699
Long-term Liabilities Due in More Than One Year, Net	252,372,525	25,202,298	277,574,823	3,090,454
<b>Total Liabilities</b>	<b>\$ 302,064,519</b>	<b>\$ 29,191,551</b>	<b>\$ 331,256,070</b>	<b>\$ 13,849,537</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 190,962,494	\$ 38,113,702	\$ 229,076,196	\$ 4,226,716
Restricted for:				
Capital Projects	205,752	-	205,752	-
Unrestricted	52,348,145	11,034,165	63,382,310	(2,840,751)
<b>Total Net Assets</b>	<b>\$ 243,516,391</b>	<b>\$ 49,147,867</b>	<b>\$ 292,664,258</b>	<b>\$ 1,385,965</b>

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 13,060,424	\$ 3,234,836	\$ 978,481	\$ -
Judicial Administration	7,759,108	5,132,780	3,384,852	-
Public Safety	60,338,648	5,086,196	12,942,914	1,500
Public Works	25,396,344	458,882	10,257,048	-
Health and Welfare	36,851,200	584,149	27,090,834	-
Parks, Recreation and Cultural	10,671,914	413,090	215,092	1,099
Community Development	10,388,248	170,493	4,375,955	-
Education	57,899,575	-	-	-
Economic Development	3,046,343	-	-	100,335
Other	66,967	-	463	-
Interest and Fiscal Charges	11,588,440	-	-	-
<b>Total Governmental Activities</b>	<b>237,067,211</b>	<b>15,080,426</b>	<b>59,245,639</b>	<b>102,934</b>
<b>Business-Type Activities:</b>				
Transit Company	7,850,064	1,779,619	3,395,701	1,357,967
Civic Facilities	5,066,942	2,995,440	-	-
Parking	2,036,575	2,683,159	-	-
Market Building	368,090	277,886	-	-
<b>Total Business-Type Activities</b>	<b>15,321,671</b>	<b>7,736,104</b>	<b>3,395,701</b>	<b>1,357,967</b>
<b>Total Primary Government</b>	<b>\$ 252,388,882</b>	<b>\$ 22,816,530</b>	<b>\$ 62,641,340</b>	<b>\$ 1,460,901</b>
<b>Component Unit:</b>				
School Board of the City of Roanoke	\$ 143,823,981	\$ 4,819,189	\$ 32,931,331	\$ -

**General Revenues:**

## Taxes:

General Property - Real Estate and Personal Property

Local Portion of State Sales

Business and Professional Occupational License

Utility

Prepared Food and Beverage

Commonwealth Share - Personal Property

Cigarette

Transient Room

Other

State Aid Not Restricted to a Specific Program

Payment from City of Roanoke

Grants and Contributions Not Restricted to Specific Programs

Interest and Investment Income

Loss on Sale of Assets

Miscellaneous

Special Item (Note 7)

Transfers

Transfers - Capital Assets

**Total General Revenues and Transfers**

Change in Net Assets

**Net Assets at Beginning of Year, as restated****Net Assets at End of Year**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government		Total	Component Unit
Governmental Activities	Business-Type Activities		
\$ (8,847,107)	\$ -	\$ (8,847,107)	\$ -
758,524	-	758,524	-
(42,308,038)	-	(42,308,038)	-
(14,680,414)	-	(14,680,414)	-
(9,176,217)	-	(9,176,217)	-
(10,042,633)	-	(10,042,633)	-
(5,841,800)	-	(5,841,800)	-
(57,899,575)	-	(57,899,575)	-
(2,946,008)	-	(2,946,008)	-
(66,504)	-	(66,504)	-
(11,588,440)	-	(11,588,440)	-
<b>(162,638,212)</b>	<b>-</b>	<b>(162,638,212)</b>	<b>-</b>
-	(1,316,777)	(1,316,777)	-
-	(2,071,502)	(2,071,502)	-
-	646,584	646,584	-
-	(90,204)	(90,204)	-
-	<b>(2,831,899)</b>	<b>(2,831,899)</b>	<b>-</b>
<b>\$ (162,638,212)</b>	<b>\$ (2,831,899)</b>	<b>\$ (165,470,111)</b>	<b>\$ -</b>
<b>\$ (106,073,461)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (106,073,461)</b>
\$ 86,651,722	\$ -	\$ 86,651,722	\$ -
20,637,376	-	20,637,376	-
12,893,280	-	12,893,280	-
13,234,488	-	13,234,488	-
10,635,894	-	10,635,894	-
7,962,068	-	7,962,068	-
2,133,150	-	2,133,150	-
2,529,645	-	2,529,645	-
9,143,443	-	9,143,443	-
7,776,432	-	7,776,432	-
-	-	-	55,843,100
-	-	-	49,430,829
3,187,105	163,638	3,350,743	-
-	(293,213)	(293,213)	-
4,005,203	401,378	4,406,581	41,860
(1,575,776)	-	(1,575,776)	-
(3,062,423)	3,062,423	-	-
(1,726,651)	1,726,651	-	-
<b>\$ 174,424,956</b>	<b>\$ 5,060,877</b>	<b>\$ 179,485,833</b>	<b>\$ 105,315,789</b>
11,786,744	2,228,978	14,015,722	(757,672)
<b>231,729,647</b>	<b>46,918,889</b>	<b>278,648,536</b>	<b>2,143,637</b>
<b>\$ 243,516,391</b>	<b>\$ 49,147,867</b>	<b>\$ 292,664,258</b>	<b>\$ 1,385,965</b>

**CITY OF ROANOKE, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,763,215	\$ 1,258,573	\$ 1,770,160	\$ 20,260,590	\$ 29,052,538
Investments	7,671,260	-	-	40,641,002	48,312,262
Interest and Dividends Receivable	129,437	-	149,182	456,998	735,617
Due from Component Unit	3,589,079	-	-	42,752	3,631,831
Due from Other Governments	8,589,382	42,571	398,162	-	9,030,115
Due from Other Funds	581,810	30,302	27,398	1,879,621	2,519,131
Taxes Receivable	15,316,477	-	-	-	15,316,477
Accounts Receivable	1,906,084	-	349,986	-	2,256,070
Allowance for Uncollectible Receivables	(3,492,136)	-	-	-	(3,492,136)
Note Receivable	-	-	3,685,520	-	3,685,520
<b>Total Assets</b>	<b>\$ 40,054,608</b>	<b>\$ 1,331,446</b>	<b>\$ 6,380,408</b>	<b>\$ 63,280,963</b>	<b>\$ 111,047,425</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Expenditures	\$ 8,885,144	\$ 240,778	\$ 567,719	\$ 2,666,099	\$ 12,359,740
Due to Other Governments	99,538	-	1,588,788	-	1,688,326
Due to Other Funds	5,145,787	26,931	35,259	200,494	5,408,471
Deferred Revenue	2,583,287	-	4,188,642	-	6,771,929
<b>Total Liabilities</b>	<b>\$ 16,713,756</b>	<b>\$ 267,709</b>	<b>\$ 6,380,408</b>	<b>\$ 2,866,593</b>	<b>\$ 26,228,466</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 1,219,270	\$ -	\$ -	\$ 22,669,544	\$ 23,888,814
Unreserved:					
Designated for Debt Service	-	1,063,737	-	-	1,063,737
Designated for Future Years' Expenditures	-	-	-	37,744,826	37,744,826
Designated for Self-Insured Claims	250,000	-	-	-	250,000
Designated for Budget Stabilization Reserve	17,045,683	-	-	-	17,045,683
Undesignated Fund Balance	4,825,899	-	-	-	4,825,899
<b>Total Fund Balances</b>	<b>23,340,852</b>	<b>1,063,737</b>	<b>-</b>	<b>60,414,370</b>	<b>84,818,959</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 40,054,608</b>	<b>\$ 1,331,446</b>	<b>\$ 6,380,408</b>	<b>\$ 63,280,963</b>	<b>\$ 111,047,425</b>

**CITY OF ROANOKE, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

Total Fund Balances - Governmental Funds	\$ 84,818,959
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Amounts reported for governmental activities in the Statement of Net Assets are different due to:

Capital assets used in governmental activities are not considered current financial resources and therefore are not reported as assets in the governmental funds.

Governmental capital assets, at cost	524,667,362	
Less: accumulated depreciation	<u>(160,106,648)</u>	364,560,714

Other assets used in governmental activities are not considered current financial resources and therefore are not reported in the governmental funds.

Bond issuance costs and deferred amounts on refunding	7,167,651	
Less: accumulated amortization	(1,303,865)	
Receivable from Western Virginia Water Authority	<u>31,315,992</u>	37,179,778

Property taxes receivable which are expected to be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.

2,795,327

Long-term liabilities, including bonds payable with related accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Governmental bonds payable	(256,328,015)	
Capital lease liability	(4,643,001)	
Bond premium	(5,816,571)	
Accumulated amortization of bond premium	760,833	
Compensated absences	(5,688,747)	
Accrued interest payable	<u>(3,882,123)</u>	(275,597,624)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Assets.

29,759,237

Total Net Assets of Governmental Activities

\$243,516,391

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local Taxes	\$ 156,259,656	\$ -	\$ -	\$ -	\$ 156,259,656
Permits, Fees and Licenses	1,469,016	-	-	-	1,469,016
Fines and Forfeitures	1,444,566	-	-	-	1,444,566
Rental Income	1,462,840	-	-	-	1,462,840
Investment Income	-	46,101	41,162	1,891,062	1,978,325
Intergovernmental	60,385,950	9,764,479	8,598,323	912,840	79,661,592
Charges for Services	11,142,081	-	-	-	11,142,081
Miscellaneous	442,065	-	4,173	2,096,909	2,543,147
<b>Total Revenues</b>	<b>232,606,174</b>	<b>9,810,580</b>	<b>8,643,658</b>	<b>4,900,811</b>	<b>255,961,223</b>
<b>EXPENDITURES</b>					
Current Operating:					
General Government	12,140,992	-	62,719	-	12,203,711
Judicial Administration	7,054,615	-	293,137	-	7,347,752
Public Safety	56,744,685	-	1,447,537	-	58,192,222
Public Works	22,798,347	-	-	-	22,798,347
Health and Welfare	33,598,046	-	2,507,327	-	36,105,373
Parks, Recreation and Cultural	9,669,043	-	28,601	-	9,697,644
Community Development	5,677,130	-	4,024,409	-	9,701,539
Education	55,789,730	-	-	-	55,789,730
Other	10,824	-	-	-	10,824
Debt Service:					
Principal Retirement	-	17,140,653	-	-	17,140,653
Interest and Paying Agent Charges	-	11,270,985	-	-	11,270,985
Bond Issuance Cost	-	141,334	-	-	141,334
Capital Outlays	-	-	-	38,370,611	38,370,611
<b>Total Expenditures</b>	<b>203,483,412</b>	<b>28,552,972</b>	<b>8,363,730</b>	<b>38,370,611</b>	<b>278,770,725</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>29,122,762</b>	<b>(18,742,392)</b>	<b>279,928</b>	<b>(33,469,800)</b>	<b>(22,809,502)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Long-Term Debt	-	-	-	31,708,923	31,708,923
Proceeds from Sale of Refunding Bonds	-	10,631,826	-	-	10,631,826
Payment to Refunded Bond Escrow Agent	-	(10,705,136)	-	-	(10,705,136)
Premium on Sale of Bonds	-	463,855	-	241,750	705,605
Transfers In	-	18,427,119	219,535	12,164,724	30,811,378
Transfers Out	(26,832,164)	-	(499,463)	(9,425,741)	(36,757,368)
<b>Total Other Financing Sources (Uses)</b>	<b>(26,832,164)</b>	<b>18,817,664</b>	<b>(279,928)</b>	<b>34,689,656</b>	<b>26,395,228</b>
Net Change in Fund Balances	2,290,598	75,272	-	1,219,856	3,585,726
<b>Fund Balances--Beginning of Year</b>	<b>21,050,254</b>	<b>988,465</b>	<b>-</b>	<b>59,194,514</b>	<b>81,233,233</b>
<b>Fund Balances--End of Year</b>	<b>\$ 23,340,852</b>	<b>\$ 1,063,737</b>	<b>\$ -</b>	<b>\$ 60,414,370</b>	<b>\$ 84,818,959</b>

**CITY OF ROANOKE, VIRGINIA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Total Net Change in Fund Balances - Governmental Funds \$ 3,585,726

Amounts reported for Governmental Activities in the Statement of Activities are different due to:

Governmental Funds report capital outlays as expenditures while governmental Activities report depreciation expense to allocate the cost of those assets over the life of the asset.

Expenditures for capital assets	37,032,175	
Donation of capital assets	339,000	
Transfer of capital assets to business-type activities	(1,726,651)	
Less special item (impairment loss)	(1,575,776)	
Less current year depreciation expense	<u>(9,125,818)</u>	24,942,930

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Governmental Funds.

Net change in deferred revenue related to taxes	204,427	
Net principal reimbursed by Western Virginia Water Authority	<u>(2,119,008)</u>	(1,914,581)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond proceeds	(42,340,749)	
Bond premium	(732,649)	
Amortization of current year bond premium	309,185	
Bond costs and deferred amounts	467,243	
Amortization of current year bond costs and deferred amounts	(443,425)	
Principal payments	<u>27,519,880</u>	(15,220,515)

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in long-term compensated absences	(336,140)	
Change in accrued interest payable	<u>143,225</u>	(192,915)

Internal service funds are used by management to charge the costs of certain services to individual funds. The change in net assets of the internal service funds is reported with Governmental Activities.

586,099

Total Change in Net Assets of Governmental Activities \$ 11,786,744

See Notes to Basic Financial Statements.



**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	Enterprise Funds		
	Transit Company	Civic Facilities	Parking
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 445,741	\$ 546,364	\$ 2,072,547
Investments	-	3,817,541	4,670,785
Interest and Dividends Receivable	-	-	-
Due from Other Governments	601,597	-	8,476
Due from Other Funds	-	938,021	33,276
Due from Component Unit	-	-	-
Accounts Receivable	33,773	116,951	-
Inventory	338,783	41,733	-
Other Assets	76,109	116,983	108,921
<b>Total Current Assets</b>	<b>1,496,003</b>	<b>5,577,593</b>	<b>6,894,005</b>
Capital Assets:			
Land	603,302	1,146,559	2,359,526
Buildings and Structures	9,470,497	19,645,542	32,071,021
Equipment and Other Capital Assets	12,618,702	1,987,061	60,510
Construction in Progress	-	13,698,542	1,028,108
Less Accumulated Depreciation	(11,201,807)	(11,429,970)	(9,801,170)
<b>Capital Assets, Net</b>	<b>11,490,694</b>	<b>25,047,734</b>	<b>25,717,995</b>
<b>Total Assets</b>	<b>\$ 12,986,697</b>	<b>\$ 30,625,327</b>	<b>\$ 32,612,000</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 299,170	\$ 1,669,206	\$ 73,319
Accrued Interest Payable	-	263,308	148,781
Due to Other Governments	-	-	10,687
Due to Other Funds	-	109,109	17,360
Other Liabilities	2,236	85,418	8,813
Long-Term Liabilities Due Within One Year	-	646,471	744,078
<b>Total Current Liabilities</b>	<b>301,406</b>	<b>2,773,512</b>	<b>1,003,038</b>
Long-Term Liabilities:			
Compensated Absences Payable	-	102,101	9,759
Claims Payable	-	-	-
General Obligation Bonds Payable, Net	-	16,386,124	10,090,097
Capital Lease Liability	-	-	-
Less Current Maturities	-	(646,471)	(744,078)
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>15,841,754</b>	<b>9,355,778</b>
<b>Total Liabilities</b>	<b>\$ 301,406</b>	<b>\$ 18,615,266</b>	<b>\$ 10,358,816</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 11,490,694	\$ 8,877,993	\$ 15,627,898
Restricted	-	-	-
Unrestricted	1,194,597	3,132,068	6,625,286
<b>Total Net Assets</b>	<b>\$ 12,685,291</b>	<b>\$ 12,010,061</b>	<b>\$ 22,253,184</b>

See Notes to Basic Financial Statements.

Enterprise Funds			
Market Building	Total	Internal Service Funds	
\$ 20,709	\$ 3,085,361	\$ 9,083,557	
36,574	8,524,900	11,329,632	
-	-	111,505	
-	610,073	51,707	
40,788	1,012,085	1,977,088	
-	-	10,597	
20,690	171,414	60	
-	380,516	203,092	
-	302,013	136,884	
118,761	14,086,362	22,904,122	
50,000	4,159,387	-	
1,965,872	63,152,932	-	
-	14,666,273	39,197,863	
128,350	14,855,000	6,094,790	
(27,105)	(32,460,052)	(24,721,770)	
2,117,117	64,373,540	20,570,883	
\$ 2,235,878	\$ 78,459,902	43,475,005	
\$ 35,789	\$ 2,077,484	685,768	
-	412,089	45,225	
-	10,687	-	
758	127,227	308,954	
-	96,467	-	
-	1,390,549	3,871,220	
36,547	4,114,503	4,911,167	
-	111,860	318,345	
-	-	9,483,497	
-	26,476,221	2,627,044	
-	-	246,935	
-	(1,390,549)	(3,871,220)	
-	25,197,532	8,804,601	
\$ 36,547	\$ 29,312,035	13,715,768	
\$ 2,117,117	\$ 38,113,702	18,830,256	
-	-	205,752	
82,214	11,034,165	10,723,229	
\$ 2,199,331	\$ 49,147,867	\$ 29,759,237	

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Enterprise Funds</b>		
	<b>Transit Company</b>	<b>Civic Facilities</b>	<b>Parking</b>
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 1,779,619	\$ 2,995,440	\$ 2,683,159
Other Revenue	185,726	215,514	-
<b>Total Operating Revenues</b>	<b>1,965,345</b>	<b>3,210,954</b>	<b>2,683,159</b>
<b><u>Operating Expenses</u></b>			
Personal Services	3,833,539	2,106,838	58,721
Other Services and Charges	1,597,658	944,347	698,022
Materials and Supplies	1,247,612	1,376,784	425,243
Depreciation	1,171,255	543,526	573,319
<b>Total Operating Expenses</b>	<b>7,850,064</b>	<b>4,971,495</b>	<b>1,755,305</b>
<b>Operating Income (Loss)</b>	<b>(5,884,719)</b>	<b>(1,760,541)</b>	<b>927,854</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Net Gain (Loss) on Disposal of Assets	(298,223)	5,010	-
Operating Grants	3,395,701	-	-
Investment Income	27,417	48,102	84,763
Interest Expense	-	(95,447)	(281,270)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>3,124,895</b>	<b>(42,335)</b>	<b>(196,507)</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>(2,759,824)</b>	<b>(1,802,876)</b>	<b>731,347</b>
<b><u>Transfers and Contributions</u></b>			
Capital Contributions	1,357,967	-	-
Transfers In	1,142,373	1,858,374	31,220
Transfers Out	-	(64,869)	-
<b>Net Transfers and Contributions</b>	<b>2,500,340</b>	<b>1,793,505</b>	<b>31,220</b>
Change in Net Assets	(259,484)	(9,371)	762,567
<b>Net Assets - Beginning of Year</b>	<b>12,944,775</b>	<b>12,019,432</b>	<b>21,490,617</b>
<b>Net Assets - End of Year</b>	<b>\$ 12,685,291</b>	<b>\$ 12,010,061</b>	<b>\$ 22,253,184</b>

Enterprise Funds		Internal Service Funds
Market Building	Total	
\$ 277,886	\$ 7,736,104	\$ 24,749,295
138	401,378	10,818
<b>278,024</b>	<b>8,137,482</b>	<b>24,760,113</b>
-	5,999,098	4,188,723
163,157	3,403,184	15,338,982
197,003	3,246,642	4,496,036
7,930	2,296,030	4,057,875
<b>368,090</b>	<b>14,944,954</b>	<b>28,081,616</b>
<b>(90,066)</b>	<b>(6,807,472)</b>	<b>(3,321,503)</b>
-	(293,213)	84,885
-	3,395,701	-
3,356	163,638	618,983
-	(376,717)	(17,255)
<b>3,356</b>	<b>2,889,409</b>	<b>686,613</b>
<b>(86,710)</b>	<b>(3,918,063)</b>	<b>(2,634,890)</b>
1,726,651	3,084,618	337,422
95,325	3,127,292	2,931,126
-	(64,869)	(47,559)
<b>1,821,976</b>	<b>6,147,041</b>	<b>3,220,989</b>
1,735,266	2,228,978	586,099
<b>464,065</b>	<b>46,918,889</b>	<b>29,173,138</b>
<b>\$ 2,199,331</b>	<b>\$ 49,147,867</b>	<b>\$ 29,759,237</b>

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Enterprise Funds</b>		
	<b>Transit Company</b>	<b>Civic Facilities</b>	<b>Parking</b>
<b>Cash Flow From Operating Activities</b>			
Cash Received From Customers	\$ 1,556,100	\$ 2,314,174	\$ 2,662,375
Cash Payments to Suppliers for Goods and Services	(2,848,907)	(1,071,517)	(1,041,163)
Cash Payments to Other Funds for Interfund Services	-	(263,201)	(8,005)
Cash Payments to Employees	(3,819,200)	(2,099,184)	(56,510)
Cash Payments for Claims	-	-	-
Cash Received for Other Operating Revenues	401,173	215,514	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(4,710,834)</b>	<b>(904,214)</b>	<b>1,556,697</b>
<b>Cash Flow From Noncapital Financing Activities:</b>			
Operating Grant Received	4,880,243	-	-
Transfers In	-	1,858,374	31,220
Transfers Out	-	(64,869)	-
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>4,880,243</b>	<b>1,793,505</b>	<b>31,220</b>
<b>Cash Flow From Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(1,462,197)	(9,926,278)	(434,348)
Capital Grant Receipts	992,791	-	-
Proceeds from Sale of Capital Assets	37,357	5,010	-
Proceeds from Issuance of Bonds	-	6,405,000	2,600,000
Proceeds from Sale of Refunding Bonds	-	-	1,893,174
Principal Paid to Refunded Bond Escrow Agent	-	-	(1,825,773)
Principal Paid on Bonds and Capital Lease Obligation	-	(285,000)	(567,082)
Interest Paid on Bonds and Capital Leases	-	(48,406)	(323,822)
Capital Contributions	-	-	-
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(432,049)</b>	<b>(3,849,674)</b>	<b>1,342,149</b>
<b>Cash Flow From Investing Activities:</b>			
Interest Received	27,417	50,272	77,428
Sale of Investments	-	-	(2,434,851)
Purchase of Investments	-	344,581	-
<b>Cash Provided by (Used for) Investing Activities</b>	<b>27,417</b>	<b>394,853</b>	<b>(2,357,423)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(235,223)</b>	<b>(2,565,530)</b>	<b>572,643</b>
<b>Cash and Cash Equivalents at July 1</b>	<b>680,964</b>	<b>3,111,894</b>	<b>1,499,904</b>
<b>Cash and Cash Equivalents at June 30</b>	<b>\$ 445,741</b>	<b>\$ 546,364</b>	<b>\$ 2,072,547</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ (5,884,719)	\$ (1,760,541)	\$ 927,854
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	1,171,255	543,526	573,319
Changes in Assets and Liabilities:			
Increase in Due From Other Governments	-	-	-
(Increase) Decrease in Due From Other Funds	-	(648,746)	(20,784)
Decrease in Due From Component Unit	-	-	(8,476)
(Increase) Decrease in Accounts Receivable	(8,073)	(100,444)	-
Increase in Inventory	(26,562)	(1,025)	-
(Increase) Decrease in Other Assets	(11,518)	-	-
Increase in Accounts Payable and Accrued Expenses	50,632	960,784	56,737
Increase in Due to Other Governments	-	-	10,687
Increase in Due to Other Funds	-	26,654	17,360
Decrease in Other Liabilities	(16,188)	-	-
Increase in Deferred Revenue	-	67,924	-
Increase in Compensated Absences Payable	14,339	7,654	-
Increase in Claims Payable	-	-	-
<b>Total Adjustments</b>	<b>1,173,885</b>	<b>856,327</b>	<b>628,843</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (4,710,834)</b>	<b>\$ (904,214)</b>	<b>\$ 1,556,697</b>
<b>Noncash Capital and Financing Activities:</b>			

Civic Facilities Fund noncash activities in fiscal year 2006 consisted of fixed asset acquisitions of \$30,276 recorded as accounts payable at June 30, 2006.

Enterprise Funds		Internal Service Funds
Market Building	Total	
\$ 360,709	\$ 6,893,358	\$ 23,578,294
(350,728)	(5,312,315)	(5,448,187)
-	(271,206)	(102,442)
-	(5,974,894)	(4,146,255)
-	-	(11,969,502)
138	616,825	10,818
<u>10,119</u>	<u>(4,048,232)</u>	<u>1,922,726</u>
-	4,880,243	-
95,325	1,984,919	2,931,126
-	(64,869)	(47,559)
<u>95,325</u>	<u>6,800,293</u>	<u>2,883,567</u>
(128,350)	(11,951,173)	(3,097,943)
-	992,791	-
-	42,367	137,977
-	9,005,000	2,600,000
-	1,893,174	-
-	(1,825,773)	-
-	(852,082)	(531,756)
-	(372,228)	(28,284)
-	-	337,422
<u>(128,350)</u>	<u>(3,067,924)</u>	<u>(582,584)</u>
3,270	158,387	639,054
(36,574)	(2,471,425)	4,591,000
-	344,581	(2,023,748)
<u>(33,304)</u>	<u>(1,968,457)</u>	<u>3,206,306</u>
(56,210)	(2,284,320)	7,430,015
76,919	5,369,681	1,653,542
<u>\$ 20,709</u>	<u>\$ 3,085,361</u>	<u>\$ 9,083,557</u>
\$ (90,066)	\$ (6,807,472)	\$ (3,321,503)
-	-	-
7,930	2,296,030	4,057,875
-	-	(38,604)
59,044	(610,486)	(1,157,132)
-	(8,476)	(3,645)
23,779	(84,738)	28,380
-	(27,587)	(29,100)
-	(11,518)	23,232
8,674	1,076,827	229,730
-	10,687	-
758	44,772	34,500
-	(16,188)	-
-	67,924	-
-	21,993	25,944
-	-	2,073,049
<u>100,185</u>	<u>2,759,240</u>	<u>5,244,229</u>
<u>\$ 10,119</u>	<u>\$ (4,048,232)</u>	<u>\$ 1,922,726</u>

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

	<b>Pension Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 611,943	\$ 2,157,473
Receivables:		
Employer Contributions (Includes Due from Other Funds of \$336,585)	450,227	-
Accrued Interest	-	27,169
Investment Income	146,883	-
Due from Other Governments	-	26,582
Total Receivables	<u>597,110</u>	<u>53,751</u>
Investments Held by Trustee, at Fair Value:		
Cash Equivalents	3,542,296	-
Cash Collateral on Loaned Securities	494,868	-
U. S. Government Securities	9,307,828	-
Corporate Bonds	4,957,330	-
Convertible Bond Mutual Funds	17,593,868	-
Common Stocks	8,887,682	-
Domestic Mutual Funds	232,237,883	-
International Mutual Funds	37,494,381	-
Real Estate Funds	19,179,288	-
U.S. Government Agency Bonds	-	1,976,880
Total Investments	<u>333,695,424</u>	<u>1,976,880</u>
<b>Total Assets</b>	<u><b>\$ 334,904,477</b></u>	<u><b>\$ 4,188,104</b></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 177,566	\$ -
Liability for Collateral on Loaned Securities	494,868	-
Due to Other Governments	-	4,188,104
<b>Total Liabilities</b>	<u><b>\$ 672,434</b></u>	<u><b>\$ 4,188,104</b></u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	<u><b>\$ 334,232,043</b></u>	<u><b>\$ -</b></u>

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Pension Trust Fund</b>
<b><u>Additions</u></b>	
Contributions from Employer	\$ 9,135,620
Investment Income:	
Net Appreciation in Fair Value of Investments	24,200,221
Interest and Dividends	4,819,817
Other	2,269
Total Investment Income	<u>29,022,307</u>
Less Investment Expenses	<u>(557,927)</u>
Net Investment Income	28,464,380
Securities Lending Income:	
Securities Lending Income	41,838
Less Securities Lending Expenses	<u>(14,130)</u>
Net Securities Lending Income	<u>27,708</u>
<b>Total Additions</b>	<b><u>37,627,708</u></b>
<b><u>Deductions</u></b>	
Benefit Payments	21,747,304
Administrative Expenses	323,728
<b>Total Deductions</b>	<b><u>22,071,032</u></b>
<b>Net Increase in Plan Net Assets</b>	<b>15,556,676</b>
<b>Net Assets Held in Trust for Pension</b>	
Benefits - July 1	<u>318,675,367</u>
<b>Net Assets Held in Trust for Pension</b>	
Benefits - June 30	<b><u>\$ 334,232,043</u></b>



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**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies**

The accounting policies of the City of Roanoke, Virginia, (the City) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments.

**A. Reporting Entity**

The City of Roanoke is a municipal corporation organized under the laws of the Commonwealth of Virginia and governed by seven elected City Council members. As required by GAAP, these financial statements present the City and its blended component unit, for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the municipality's operations, so data from this unit is combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements.

**Blended Component Unit**

The Greater Roanoke Transit Company (Transit Company) is a public service bus company organized to provide mass transportation services to the Roanoke Valley. The Transit Company is reported as a blended component unit because it is owned by the City with City Council acting as its Board of Directors. The Transit Company's operations are reported as an Enterprise Fund, a Proprietary Fund Type.

Complete basic financial statements for this blended component unit may be obtained by writing to the Greater Roanoke Transit Company, P.O. Box 13247, Roanoke, Virginia 24032.

**Discretely Presented Component Unit**

The School Board of the City of Roanoke (School Board) is a legally separate entity which operates twenty-one elementary schools, six middle schools, and three high schools for students residing in the City. School Board members are appointed by City Council. City Council also provides fiscal guidance because it levies taxes to fund School Board's operations and issues debt for its capital projects. In accordance with GAAP, the City reports the School Board as a discretely presented component unit. Certain footnote disclosures are included in the City's Comprehensive Annual Financial Report for component unit transactions which are material. Additional disclosures are available in the separately published School Board Component Unit Comprehensive Annual Financial Report.

Complete basic financial statements for this discretely presented component unit may be obtained by writing to the School Board of the City of Roanoke, P.O. Box 13145, Roanoke, Virginia 24031.

**B. Financial Statement Presentation**

The City's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements* –

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

*and Management's Discussion and Analysis – for State and Local Governments*, as amended. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. GASB Statement No. 34, as amended, includes:

**Management's Discussion and Analysis (MD&A)** – MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities in a narrative format. An analysis of the government's overall financial position and results of operations is included to assist users in assessing whether financial position has improved or deteriorated as a result of the year's activities.

**Government-Wide Financial Statements** – Financial statements are prepared using the economic resources measurement focus and full accrual accounting for all of the government's activities. These statements include all assets, liabilities, revenues and expenses of the primary government and its component units, excluding fiduciary activities.

The effect of interfund activity has been eliminated from these statements. Excess revenues or expenses of the internal service funds are allocated to the appropriate governmental functional activity. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, which rely on user fees and charges for support. The School Board, which is a legally separate, discretely presented component unit, is also segregated.

**Statement of Net Assets** – presents both governmental and business-type activities on the full accrual, economic resource basis of accounting, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

**Statement of Activities** – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

**Fund Financial Statements** – These statements are organized on the basis of funds, each of which is considered to be a separate accounting entity. The emphasis is on major governmental and enterprise funds. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements into three broad fund categories as follows:

**Governmental Funds** account for expendable financial resources, other than proprietary fund types. Governmental fund types use the flow of current financial resources measurement focus. The major governmental funds are:

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**General Fund** – Accounts for all revenues and expenditures which are not accounted for in other funds. The General Fund finances the regular day-to-day operations of the City.

**Debt Service Fund** – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and fiscal charges not being financed by proprietary funds.

**Special Revenue Fund** – Accounts for the proceeds of specific revenue sources (other than expendable trusts or funds for major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund provides accounting for certain federal and state grants awarded to the City.

**Capital Projects Fund** – Accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**Proprietary Funds** account for operations that are financed and operated in a manner similar to private business enterprises. The proprietary fund measurement focus is on the flow of economic resources. Operating revenues include charges for services and other revenue. Operating expenses include personal services, as well as other services and charges, materials and supplies and depreciation. All revenues and expenses, excluding capital contributions and transfers, not meeting these definitions are reported as non-operating revenues and expenses. The proprietary fund types are:

**Enterprise Funds** – Account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. All funds included in this category are major funds and are as follows:

**Transit Company** – Provides bus service to the City and surrounding areas.

**Civic Facilities Fund** – Accounts for the operation of the municipal civic center.

**Parking Fund** – Accounts for the operation of seven parking garages and several parking lots.

**Market Building Fund** – Accounts for the operation of the Downtown Market Building which houses several retail merchants and restaurants.

**Internal Service Funds** – Account for the financing of goods or services provided by one department primarily or solely to other departments within the City government on a cost-reimbursement basis. Funds included in this category are:

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**Department of Technology Fund** – provides implementation and maintenance of data processing systems and provides workstation support.

**Fleet Management Fund** – Owns and maintains City vehicle fleet and related supplies.

**Risk Management Fund** – Finances property, workers' compensation, employee medical, auto, and general liability insurance coverage.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has selected one of the two options available for proprietary fund reporting. The City applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

**Fiduciary Funds** account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The fiduciary funds are:

**Pension Trust Fund** – Accounts for the operations of the City's Pension Fund. It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial position.

**Agency Fund** – Account for assets held for, and due to the Hotel Roanoke Conference Center Commission. This fund is custodial in nature and does not involve measurement of results of operations.

**C. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General fund tax revenues are considered measurable when they have been levied. To be considered

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available and thus susceptible to accrual, taxes must be collected with the City's period of availability of 60 days. Uncollected taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific situation.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Exhibit D presents a reconciliation of the net assets as reported on the Statement of Net Assets (Exhibit A) to total governmental fund balance as reported on the Balance Sheet - Governmental Funds (Exhibit C). Exhibit F presents a reconciliation of change in net assets as reported on the Statement of Activities (Exhibit B) and the total changes in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit E).

**D. Accounting Restatement**

In accordance with the provisions of GASB Statement No. 34, the City has elected to record a certain network of its infrastructure assets within the allowable four-year timeframe following initial implementation. Therefore, as of the beginning of fiscal year 2006, the City recorded certain infrastructure assets which were not previously reflected in the basic financial statements. This resulted in an addition of sidewalk assets totaling \$13,819,270. The following presents a reconciliation of beginning net assets as of July 1, 2005, as originally reported, to beginning net assets as restated:

	<b>Governmental Activities</b>
	<hr/>
<b>Total net assets as of July 1, 2005, as originally reported</b>	\$ 217,910,377
<b>Restatement of net assets:</b>	
Capital assets, net, retroactively recorded to reflect sidewalk assets	13,819,270
	<hr/>
<b>Total net assets as of July 1, 2005, as restated</b>	<b>\$ 231,729,647</b>
	<hr/>
	<b>Capital Assets</b>
	<hr/>
<b>Capital assets as of July 1, 2005, as originally reported</b>	\$ 347,382,421
<b>Restatement of net assets:</b>	
Capital assets, net, retroactively recorded to reflect sidewalk assets	13,819,270
	<hr/>
<b>Total capital assets as of July 1, 2005, as restated</b>	<b>\$ 361,201,691</b>
	<hr/>

**CITY OF ROANOKE, VIRGINIA**  
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**E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances are reported as expenditures using the budgetary basis of accounting. Unspent appropriations lapse at year-end. These encumbrances are subject to reappropriation by City Council in the succeeding fiscal year.

**F. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments may consist of certificates of deposit, repurchase agreements, commercial paper, and investments in the Local Government Investment Pool (LGIP) and the Commonwealth Cash Reserve Fund. Cash balances, other than Transit Company balances and a portion of the Pension Trust Fund balances, are deposited in a pooled account, which in turn, purchases short-term investments. Interest income is allocated to the participating funds based on each fund's average daily cash balance. Cash and cash equivalents are recorded at cost, which approximates market value.

Investments are recorded at fair value. Investments of the Capital Projects Fund consist of government securities, commercial paper, and corporate bonds. Investments of the Pension Trust Fund consist of overnight investments in bank common trust funds, government securities, corporate bonds, stocks, and mutual funds.

**G. Interfund Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statements as internal balances. Outstanding balances between the City and its component unit are reported as due to/from component unit or due to/from primary government.

**H. Allowance for Uncollectible Taxes and Accounts Receivable**

The City calculates its allowance for uncollectible receivables based on historical collection data and specific account analyses. At June 30, 2006, the allowance for General Fund uncollectible taxes and accounts receivable was \$3,492,136 or 20% of the outstanding balance of taxes receivable and accounts receivable.

**I. Property Taxes**

Property taxes are assessed annually as of January 1. Real estate tax is payable in two equal installments, each due on or before October 5 and April 5. On April 6, real property taxes become an enforceable lien against the property. The annual assessment for real estate is based on 100% of the assessed fair market value. The tax rates are established annually, without limitation, by City Council.

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Personal property tax is due on or before May 31 during the year of assessment. The tax rate for real estate was \$1.21 per \$100 of assessed value for the year. The personal property tax rate was \$3.45 per \$100 of assessed value for the year. In 1998, the Commonwealth enacted the Personal Property Tax Relief Act whereby the Commonwealth funds localities for a portion of personal property taxes billed to property owners. In 2006, the Commonwealth amended this legislation to provide for a flat amount of reimbursement to localities; thereby, decreasing the percent of tax relief provided. The Commonwealth's share of the tax was 66.19% for fiscal year 2006. A penalty of 10% of unpaid real estate and personal property tax is due for late payment. Interest on unpaid taxes is 10% in the first year. Thereafter, the rate is calculated at the Internal Revenue Service (IRS) rate. At June 30, 2006, the IRS rate was 7%.

The City bills and collects taxes and recognizes revenue upon levy for government-wide purposes. For the fund financial statements, the City recognizes revenue to the extent that it results in current receivables.

**J. Inventory**

Inventory for proprietary funds is valued at cost, determined using the moving weighted average method. Inventory consists of materials and supplies held for consumption and is adjusted to actual based on an annual physical count. The cost is recorded as an expense when individual items of inventory are used.

**K. Pension Trust Fund**

The City's policy is to fully fund actuarially determined pension costs, which include both normal costs and amortization of unfunded accrued liability. Pension Trust Fund assets and investments are recorded at fair value. The fair value is based on quotations obtained from national security exchanges. Security transactions are recognized on the trade date which is the date the order to buy or sell is originated. Securities lending fees are included as a component of investment expenses.

**L. Capital Assets**

Capital assets acquired or constructed by the City with a value in excess of \$5,000 are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land, construction-in-progress, or items designated as historical treasures. The estimated useful lives for capital assets are as follows:

Land Improvements	15-40 years
Buildings and Structures	5-55 years
Equipment	2-20 years
Infrastructure	15-55 years

Pursuant to the City Charter, all real estate, including buildings and improvements thereon, financed by debt issued by the City for the purpose of public education is the property of the City.

Interest is capitalized on proprietary fund capital assets financed through the issuance of long-term debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same



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period. Capital asset additions in the current fiscal year included total capitalized net interest of \$270,091 in the Civic Facilities Fund, \$25,978 in the Parking Fund, and \$22,115 in the Department of Technology Fund.

Effective July 1, 2005, the City adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement was developed to provide users of financial statements with a better understanding of when impairments have incurred as well as their financial impact on the government. Further details are presented in note 7.

**M. Compensated Absences Payable**

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered and employees have earned the right to receive compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$6,007,092 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and fund presentations.

Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred. At June 30, 2006, the liabilities for compensated absences of the enterprise and internal service funds were \$111,860 and \$318,345 respectively.

**(2) Deposits and Investments**

**Governmental Funds**

The City maintains a cash and investment pool that is available for use by all funds, including fiduciary funds and the School Board Component Unit. Each fund's portion of this pool is presented in the basic financial statements as "Cash and cash equivalents". The Transit Company, a blended component unit, maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. The Transit Company investments are presented in conjunction with City investments. The City acts as the fiscal agent for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total investments of \$1,976,880 on its behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the HRCCC are presented separately.

*Investment Policy* The City, School Board, and Transit Company adhere to a City Council adopted investment policy (Policy). The Policy, in accordance with the Code of Virginia and other applicable laws and regulations, articulates the City's investment objectives and authorized investments and serves as a guide for asset allocation development, cash equivalent development, fixed income development and investment performance measurement. Preservation of principal is the City's primary responsibility in making investment decisions and these decisions are made under the assumption that all investments will be held to maturity unless a specific case warrants otherwise.

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The City's policy regarding certain types of investments is as follows:

Commercial Paper: Shall be rated by the Moody's Investors Service, Inc. (Moody's) of prime 1 and by Standard & Poor's, Inc. (S & P), within it rating of A-1.

Corporate and Municipal Bonds: High quality corporate notes with a rating of at least Aa by Moody's and a rating of at least AA by S& P.

Banker's Acceptances: Must have a rating of B/C or better in the Keefe, Bruyette & Woods, Inc. ratings.

Savings Accounts, Certificate of Deposits, Demand and Time Deposits: Shall not exceed the maximum limit of FDIC insurance, other Federal insurance programs, or secured as provided by the Virginia Security for Public Deposits Act.

Obligations of the Commonwealth: Those unconditionally guaranteed as to payment by the Commonwealth of Virginia.

Obligations of the United States, etc.: Those unconditionally guaranteed as to payment by the United States.

Repurchase Agreements: Collateralized by United States Treasury agency securities, shall at all times, be no less than 110% of the value of term and open repurchase agreements and 102% of the value of overnight repurchase agreements.

Money Market Funds: One or more open-end investment funds, provided that the funds are registered under the Securities Act of the Commonwealth of Virginia or the federal investment of such funds is restricted in investments otherwise permitted by law as set forth in Chapter 18 of Title 2.1, Code of Virginia (1950), as amended.

Cash and Investments as of June 30, 2006 consisted of the following:

	Total Primary Government	School Board Component Unit
Cash and Cash Equivalents	\$ 1,468,317	\$ 92,071
Money Market Accounts	2,450,000	-
Repurchase Agreements	9,969,958	2,166,413
Mutual Funds	9,373,598	-
Commercial Paper	13,162,091	-
Domestic Corporate Fixed-Income Securities	1,000,145	-
Federal Agency Discount Notes	27,352,625	-
Federal Agency Bonds/Notes	29,586,066	-
Virginia Local Government Investment Pool (LGIP)	15,025,450	661,426
	<u>\$ 109,388,250</u>	<u>\$ 2,919,910</u>

Credit risk, custodial credit risk, concentration of credit risk, and interest rate risk are addressed in the following paragraphs.

*Credit Risk.* State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements, and the State and LGIP. The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. The City's fair value of investment in the LGIP is the same as the pooled value of its shares. It is the City's policy to limit its investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs).

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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As of June 30, 2006, the percentage of the City's and School Board's investments, with their respective credit ratings, was as follows:

Investment Type	City	School	Credit Rating
Repurchase Agreements	9.5%	76.6%	P-1, NA
Mutual Funds	8.9%	0.0%	AAAm
Commercial Paper	12.5%	0.0%	P-1
Domestic Corporate Fixed-Income Securities	1.0%	0.0%	Aa1, Aa3
Federal Agency Discount Notes	25.9%	0.0%	Aaa
Federal Agency Bond/Notes	28.0%	0.0%	Aaa
Virginia LGIP	14.2%	23.4%	AAAm

*Custodial Credit Risk - Investments.* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in U.S. Agencies are held by the counterparty, not in the name of the City. The City's investment policy requires all Purchase securities, Money Market instruments and Certificate of Deposits with maturity dates less than thirty (30) days to be held by the Bank or Securities Dealer through which the City is the custodian. Securities with maturity dates exceeding thirty days are electronically transferred and held by a third party.

Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent, but not in the City's name. The School Board component unit does not hold any investments exposed to custodial credit risk. As of June 30, 2006, the City's investments considered to be exposed to custodial credit risk consisted of the following:

Commercial Paper	\$ 13,162,091
Federal Agency Discount Notes	9,743,883
Federal Agency Bond/Notes	13,187,010
Corporate Bonds	1,000,145

*Custodial Credit Risk – Deposits.* In the case of a deposit, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The carrying value of the City's deposits was \$3,963,581, including School Board component unit of \$92,071. The City's bank balance of deposits was \$4,060,827, including School Board component unit of \$92,815. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with Virginia Security for Public Deposits Act.

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*Concentration of Credit Risk.* The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No single issue shall constitute more than 5 percent of the total value of the portfolio, except U.S. Treasury and Federal Agency obligations. Not more than thirty-five percent of the total funds available for investment may be invested in commercial paper, and no single industry group, as defined by Standard & Poor's, shall constitute more than 20 percent of the bond portfolio.

As of June 30, 2006, the portions of the City's portfolio, excluding the Virginia LGIP, that exceeded 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Repurchase Agreements	9.5%
Commonwealth Cash Reserve Fund	8.9%
Federal Home Loan Mortgage Corporation	16.2%
Federal National Mortgage Association	19.8%
Federal Home Loan Bank	16.1%

As of June 30, 2006, 76.6% of the School Board's portfolio was invested in repurchase agreements.

*Interest Rate Risk.* The City's investment policy limits maturities to a maximum of five years as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of limiting its exposure to an even higher degree, the City's investments are highly concentrated in investments of less than one year, and the City holds no investments with a maturity date of greater than three years.

As of June 30, 2006, the City had the following investments and maturities:

	<u>Investment Maturity</u>		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-3 years</u>
Repurchase Agreements	\$ 9,969,958	\$ 9,969,958	\$ -
Mutual Funds	9,373,598	9,373,598	-
Commercial Paper	13,162,091	13,162,091	-
Domestic Corporate Fixed-Income Securities	1,000,145	1,000,145	-
Federal Agency Discount Notes	27,352,625	27,352,625	-
Federal Agency Bonds/Notes	29,586,066	19,045,596	10,540,470
Virginia LGIP	15,025,450	15,025,450	-
<b>TOTAL</b>	<b>\$ 105,469,933</b>	<b>\$ 94,929,463</b>	<b>\$ 10,540,470</b>

**CITY OF ROANOKE, VIRGINIA**  
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As of June 30, 2006, the School Board had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 2,166,413	\$ 2,166,413
Virginia LGIP	661,426	661,426
<b>TOTAL</b>	<b>\$ 2,827,839</b>	<b>\$ 2,827,839</b>

**Fiduciary Funds**

**Pension Trust Fund**

*Investment Policy.* The Board of Trustees of the City of Roanoke Pension Plan (the Plan) has adopted a Statement of Investment Policy Guidelines and Objectives. The Policy articulates the Plan's investment objectives and risk tolerance and serves as a guide for asset allocation development, investment manager and fund selection, investment performance monitoring and evaluation. The Policy addresses credit risk, concentration risk, and foreign currency risk as outlined in the following paragraphs.

Investments as of June 30, 2006 consisted of the following:

Cash Equivalents	\$ 3,542,296
Cash Collateral on Loaned Securities	494,868
U.S. Government Securities	9,307,828
Corporate Bonds	4,957,330
Convertible Bond Mutual Funds	17,593,868
Common Stocks	8,887,682
Domestic Mutual Funds	232,237,883
International Mutual Funds	37,494,381
Real Estate Funds	19,179,288
<b>Total Investments</b>	<b>\$ 333,695,424</b>

**CITY OF ROANOKE, VIRGINIA**  
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*Credit Risk.* The Plan's investment policy limits investments in fixed income securities to issues which are rated at least BBB or Baa by either Moody's or Standard and Poor's. Purchases of non-U.S. government securities are restricted to issues of at least \$50 million or greater. As of June 30, 2006, the Plan's fixed income investments consisted of the following:

<u>Investment Type</u>	<u>Moody's</u>	
	<u>Market Value</u>	<u>Rating</u>
Corporate Bonds	\$ 1,970,374	AAA
Federal National Mortgage Association	4,693,556	AAA
Federal Home Loan Mortgage Corporation	1,471,089	AAA
Bond Mutual Fund	16,101,582	AAA
Bond Mutual Fund	41,988,979	AA2
Corporate Bonds	191,974	AA3
Corporate Bonds	5,215	A3
Corporate Bonds	459,468	BAA1
Corporate Bonds	453,637	BAA2
Corporate Bonds	88,805	BAA3
Corporate Bonds	44,592	BA1
Corporate Bonds	1,743,265	NR
Total	<u>\$ 69,212,536</u>	

All corporate bonds are rated with at least BBB or Baa by either Moody's or Standard and Poor's, respectively. Non-rated (NR) investments reflect issues that were not rated by the particular agency; however, these issues were rated by the other agency. As such, these investments do not represent a violation of the Plan's investment policy.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan's investment policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, which the Plan participates in. On June 30, 2006, the carrying amount of the Plan's deposits was \$4,154,239 (bank balance was \$4,155,548). Of the bank balance at June 30, 2006, \$613,252 was covered by Federal depository insurance or collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the Code of Virginia.

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$613,252 is considered to be insured. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The remaining bank balance of \$3,542,296 is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by State Street Bank & Trust Company.

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*Custodial Credit Risk – Investments.* The Plan has nine types of investments as of June 30, 2006: cash equivalents; cash collateral received on loaned securities; U.S. government securities; corporate bonds; convertible bond mutual funds; common stocks; and domestic, international, and real estate mutual funds. Investments in external investment pools and in open-end mutual funds are not considered to be exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the Plan's name. The Plan's investment policy does not specifically address custodial credit risk. As of June 30, 2006, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

<u>Investment Type</u>	<u>Market Value</u>
U.S. Treasury Securities	\$ 3,117,082
U.S. Agency Securities	6,190,746
Corporate Bonds	4,957,330
Common Stocks	8,887,682
Total	<u>\$23,152,840</u>

State Street Bank & Trust Company has a blanket insurance policy to secure trust funds for every account they hold and also pledges to the Federal Reserve Bank to cover funds on deposit with their bank. State Street Boston Corporation, the parent company, also carries a corporate blanket insurance policy. Further insurance carried by the depositories includes coverage against losses occurring on the premises or during transit.

*Concentration of Credit Risk.* The Plan's investment policy prohibits the investment of more than 5% of plan assets in either fixed income or equity securities of any single issuer based on cost. Securities of the U.S. government and investment company shares (mutual funds) are exempted from this limitation. As of June 30, 2006, the Plan did not own securities of a single organization, other than positions in mutual funds, representing 5% or more of the Plan's net assets.

*Interest Rate Risk.* The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Lehman Aggregate Bond Index thus providing broad diversification that would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the Lehman Aggregate Bond Index over a moving 3 – 5 year range. The market value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2006:

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<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				
		<u>1-5</u>	<u>5-10</u>	<u>10-15</u>	<u>15-20</u>	<u>More than 20</u>
U.S. Treasuries	\$ 3,117,082	\$ -	\$ 1,941,333	\$ -	\$ 308,735	\$ 867,014
Government National Mortgage Association	26,101	26,101	-	-	-	-
Federal Home Loan Mortgage Corporation	1,471,089	1,165,938	-	139,039	-	166,112
Federal National Mortgage Association	4,693,556	-	-	1,538,761	-	3,154,795
Corporate Bonds	4,957,330	444,890	805,175	108,868	184,708	3,413,689
Bond Mutual Funds	58,090,561	-	58,090,561	-	-	-
Total	<u>\$72,355,719</u>	<u>\$ 1,636,929</u>	<u>\$60,837,069</u>	<u>\$ 1,786,668</u>	<u>\$ 493,443</u>	<u>\$ 7,601,610</u>

*Foreign Currency Risk.* The Plan's investment policy prohibits investment in securities that are not denominated in U.S. dollars and/or that are traded solely on exchanges outside the U.S., with the exception of international commingled funds. The Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S. as of June 30, 2006.

*Securities Lending Arrangements.* The Plan's Board of Trustees approved a Securities Lending Authorization Agreement allowing State Street Bank & Trust Company (Custodian) to lend the Plan's available securities to broker-dealers and banks pursuant to a form of loan agreement. All of the Plan's securities held by the Custodian are available for securities lending, except those securities which the Plan specifically identifies in notices to the Custodian as not being available. During the fiscal year, the Plan did not exclude any securities from securities lending.

The Custodian lends the securities and in exchange the borrowers are required to deliver collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt of foreign nations and irrevocable bank letters of credit. The Custodian does not have the ability to pledge or sell collateral securities delivered, absent a borrower default. Borrowers are required to deliver collateral for each loan in amounts equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The Plan did not impose any restrictions during the fiscal year on the amount of loans the Custodian made on its behalf. The terms of the Authorization Agreement require the Custodian to indemnify the Plan in the event the borrower defaults or fails to return the securities by agreeing to purchase replacement securities, or return the cash collateral in the event the borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the Custodian.

The Plan and the borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2006, such investment pool had a weighted maturity of 50 days with its average duration restricted to 191 days.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2006, the Plan had no credit risk exposure to borrowers. The following represents balances related to securities lending transactions as of June 30, 2006:



**CITY OF ROANOKE, VIRGINIA**  
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<u>Securities on Loan</u>	<u>Market Value of Securities</u>	<u>Cash Collateral Investment Value</u>
Domestic Equities	\$ 494,868	\$ 508,275

**Hotel Roanoke Conference Center Commission**

*Investment Policy.* The Hotel Roanoke Conference Center Commission (HRCCC) adheres to the City of Roanoke's adopted investment policy and accordingly may invest in the following approved investment vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of the Commonwealth of Virginia, including stocks, bonds and other evidences of indebtedness of the Commonwealth of Virginia, and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth of Virginia;
- Obligations of Virginia counties, cities, etc. (subject to certain restrictions);
- Obligations of the International Bank, Asian Development Bank and African Development Bank;
- Domestic bankers' acceptances from institutions with a rating of B/C or better in the Keefe, Bruyette & Woods, Inc. ratings;
- Commercial paper with a maturity of two-hundred seventy (270) days or less with a Moody's rating of prime 1 and Standard & Poor's rating of A-1, with the issuing corporation having a net worth of at least fifty million dollars per year of the previous five years; and all existing senior bonded indebtedness of the issuer, or its guarantor, is rated "A" or better by Moody's Investor Services, Inc., and Standard & Poor's, Inc.
- Corporate notes with a rating of at least Aa by Moody's Investor Services, Inc. and a rating of at least AA by Standard & Poor's, Inc. and a maturity of no more than five (5) years;
- Money market funds;
- Demand and savings deposits; and,
- Time deposits, certificates of deposit and repurchase agreements.

As of June 30, 2006, the HRCCC had the following investments:

	<u>Investment Maturity</u>		<u>Rating</u>
	<u>Fair Value</u>	<u>Less than 1</u>	
	<u>June 30, 2006</u>	<u>year</u>	
Federal National Mortgage Association Bond	\$ 1,976,880	\$ 1,976,880	Aaa
Total	<u>\$ 1,976,880</u>	<u>\$ 1,976,880</u>	

All investments are held in the City's name on behalf of the HRCCC.

*Interest rate risk.* The HRCCC's investment policy requires maturities on debt securities not to exceed five years in duration from the date of purchase in order to manage its exposure to fair value losses arising from increasing interest rates.

**CITY OF ROANOKE, VIRGINIA**  
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**(3) Receivables**

Receivables as of June 30, 2006 consisted of the following:

**Governmental Funds**

	General	Debt Service	Special Revenue	Capital Projects	Internal Service	Total Governmental Activities	School Board Component Unit
<b>Receivables</b>							
Interest and Dividends	\$ 129,437	\$ -	\$ 149,182	\$ 456,998	\$ 111,505	\$ 847,122	\$ -
Component Unit	3,589,079	-	-	42,752	10,597	3,642,428	-
Federal Government	19,385	-	389,784	-	-	409,169	4,974,949
State Government	8,110,755	-	8,378	-	-	8,119,133	3,089,578
Other Governments	459,242	42,571	-	-	51,707	553,520	-
Subtotal Governments	8,589,382	42,571	398,162	-	51,707	9,081,822	8,064,527
Taxes	15,316,477	-	-	-	-	15,316,477	-
Accounts	1,906,084	-	349,986	-	60	2,256,130	24,349
Less: Allowance for Uncollectible Accounts	(3,492,136)	-	-	-	-	(3,492,136)	-
Subtotal	13,730,425	-	349,986	-	60	14,080,471	24,349
Note	-	-	3,685,520	-	-	3,685,520	-
Governmental Fund Receivables	26,038,323	42,571	4,582,850	499,750	173,869	31,337,363	8,088,876
Enterprise Fund Receivables	-	-	-	-	-	781,487	-
Due from WVA	-	-	-	-	-	31,315,992	-
Net Governmental Activities Receivables	\$ 26,038,323	\$ 42,571	\$ 4,582,850	\$ 499,750	\$ 173,869	\$ 63,434,842	\$ 8,088,876

**Enterprise Funds**

	Transit Company	Civic Facilities	Parking	Market Building	Total Enterprise Funds
<b>Receivables</b>					
Federal Government	\$ 480,231	\$ -	\$ -	\$ -	\$ 480,231
State Government	113,887	-	-	-	113,887
Other Governments	7,479	-	8,476	-	15,955
Subtotal	601,597	-	8,476	-	610,073
Accounts	33,773	116,951	-	20,690	171,414
Total Receivables	\$ 635,370	\$ 116,951	\$ 8,476	\$ 20,690	\$ 781,487

The taxes receivable account is largely comprised of the current and past nineteen years of uncollected tax levies on real property, the current and prior four years of uncollected tax levies for personal property and business and professional occupational license tax. The collectibility of these accounts has been considered in the allowance for uncollectible accounts.

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Assets, include taxes receivable of approximately \$2.8 million that are not available to pay for current period expenditures and are accordingly recorded as deferred revenue in the governmental funds

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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balance sheet. Additionally, a \$31,315,992 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Assets. Further details are presented in notes 9 and 15.

**(4) Interfund Balances and Transfers**

Interfund balances consisted of the following at June 30, 2006:

		DUE FROM (FUND)									
DUE TO (FUND)		General	Capital Projects	Debt Service	Special Revenue	Internal Services	Pension Trust	Civic Facilities	Parking	Market Building	Total
	General Fund	\$ -	\$ 1,879,621	\$ 12,873	\$ 27,398	\$ 1,944,169	\$ 313,130	\$ 938,021	\$ 7,412	\$ 23,163	\$ 5,145,787
	Civc Facilities	88,970	-	-	-	13,397	6,742	-	-	-	109,109
	Parking	861	-	16,499	-	-	-	-	-	-	17,360
	Capital Projects	174,753	-	-	-	8,116	-	-	-	17,625	200,494
	Market Building	758	-	-	-	-	-	-	-	-	758
	Debt Service	-	-	-	-	1,106	-	-	25,825	-	26,931
	Internal Service	281,612	-	930	-	9,699	16,713	-	-	-	308,954
	Special Revenue	34,619	-	-	-	601	-	-	39	-	35,259
	Pension Trust	237	-	-	-	-	-	-	-	-	237
TOTAL		\$ 581,810	\$ 1,879,621	\$ 30,302	\$ 27,398	\$ 1,977,088	\$ 336,585	\$ 938,021	\$ 33,276	\$ 40,788	\$ 5,844,889

All interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made.

Interfund transfers consisted of the following at June 30, 2006:

		<b>TRANSFER FROM (FUND)</b>					
TRANSFER TO (FUND)		General	Special Revenue	Capital Projects	Internal Service	Civic Facilities	Total
	Debt Service	17,862,787	499,463	-	-	64,869	18,427,119
	Special Revenue	171,976	-	-	47,559	-	219,535
	Capital Projects	3,964,724	-	8,200,000	-	-	12,164,724
	Civic Facilities	1,858,374	-	-	-	-	1,858,374
	Transit Company	1,142,373	-	-	-	-	1,142,373
	Parking	31,220	-	-	-	-	31,220
	Market Building	77,700	-	17,625	-	-	95,325
	Internal Service	1,723,010	-	1,208,116	-	-	2,931,126
	<b>TOTAL</b>	<b>\$ 26,832,164</b>	<b>\$ 499,463</b>	<b>\$ 9,425,741</b>	<b>\$ 47,559</b>	<b>\$ 64,869</b>	<b>\$ 36,869,796</b>

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Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations.

**(5) Note Receivable**

Included in the Special Revenue Fund as of June 30, 2006, is a note receivable in the amount of \$3,685,520 from the Hotel Roanoke, LLC. The note originally provided \$6 million of the \$27.5 million expended for the rehabilitation and restoration of the Hotel Roanoke. The Hotel Roanoke, LLC, is obligated to repay, in priority order, certain first mortgage loans held by banks and is then obligated to repay the note receivable and other debt. Funding for repaying this debt is available from resources of the Hotel Roanoke, LLC, generated by the operations of the Hotel Roanoke.

Principal is payable in nineteen annual installments with interest on the unpaid principal balance of the note at a fixed rate of 4.0% per annum. Beginning June 30, 2006, installments of principal and interest in the amount of \$496,757 are due and payable on June 30 of each year until June 30, 2014. If, in any one year, full payment of principal and interest is not made, that unpaid amount is payable on any subsequent annual installment payment date. In this event, no additional interest would accrue. At June 30, 2006, unpaid installments totaling \$496,757 are due from the Hotel Roanoke, LLC. This amount is comprised of unpaid principal of \$347,574 and interest of \$149,183. During the year ended June 30, 2006, the Hotel Roanoke, LLC, made payments of \$845,980.

The loan repayments to the City are considered to be program income and are to be applied toward repayment of the City's \$6 million Section 108 loan from the United States Department of Housing and Urban Development.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(6) Changes in Capital Assets**

**Primary Government:**

	<b>Restated Balance July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2006</b>
<b><u>Governmental activities:</u></b>				
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 30,956,660	\$ 3,256,990	\$ (29,000)	\$ 34,184,650
Infrastructure - Right of Way	20,027,510	-	-	20,027,510
Construction in Process	71,904,451	35,016,921	(39,210,720)	67,710,652
Historical Treasures	805,297	-	-	805,297
<b>Total Capital assets, not being depreciated</b>	<b>123,693,918</b>	<b>38,273,911</b>	<b>(39,239,720)</b>	<b>122,728,109</b>
<b><u>Capital assets, being depreciated:</u></b>				
Land Improvements	1,479,872	-	-	1,479,872
Accumulated Depreciation	(58,301)	(98,557)	-	(156,858)
<b>Net Land Improvements</b>	<b>1,421,571</b>	<b>(98,557)</b>	<b>-</b>	<b>1,323,014</b>
Building and Structures	208,022,981	27,731,215	-	235,754,196
Accumulated Depreciation	(93,930,328)	(3,714,695)	-	(97,645,023)
<b>Net Building &amp; Structures</b>	<b>114,092,653</b>	<b>24,016,520</b>	<b>-</b>	<b>138,109,173</b>
Infrastructure	155,632,730	6,644,462	-	162,277,192
Accumulated Depreciation	(52,523,629)	(4,498,502)	-	(57,022,131)
<b>Net Infrastructure</b>	<b>103,109,101</b>	<b>2,145,960</b>	<b>-</b>	<b>105,255,061</b>
Equipment	46,058,617	3,757,834	(2,095,806)	47,720,645
Accumulated Depreciation	(27,174,169)	(4,871,939)	2,041,703	(30,004,405)
<b>Net Equipment</b>	<b>18,884,448</b>	<b>(1,114,105)</b>	<b>(54,103)</b>	<b>17,716,240</b>
Total Capital Assets Being Depreciated	411,194,200	38,133,511	(2,095,806)	447,231,905
Less: Accumulated Depreciation	(173,686,427)	(13,183,693)	2,041,703	(184,828,417)
<b>Net Total Capital Assets Being Depreciated</b>	<b>237,507,773</b>	<b>24,949,818</b>	<b>(54,103)</b>	<b>262,403,488</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 361,201,691</b>	<b>\$ 63,223,729</b>	<b>\$ (39,293,823)</b>	<b>\$ 385,131,597</b>
<b>General Capital Assets, Net</b>				<b>\$ 364,560,714</b>
<b>Internal Service Fund Capital Assets, Net</b>				<b>20,570,883</b>
<b>Total</b>				<b>\$ 385,131,597</b>

**CITY OF ROANOKE, VIRGINIA**  
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	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b><u>Business-type activities:</u></b>				
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 4,159,387	\$ -	\$ -	\$ 4,159,387
Construction in Process	4,348,367	10,506,633	-	14,855,000
<b>Total Capital assets, not being depreciated</b>	<b>8,507,754</b>	<b>10,506,633</b>	<b>-</b>	<b>19,014,387</b>
<b><u>Capital assets, being depreciated:</u></b>				
Land Improvements	68,446	-	-	68,446
Accumulated Depreciation	(48,948)	(1,880)	-	(50,828)
<b>Net Land Improvements</b>	<b>19,498</b>	<b>(1,880)</b>	<b>-</b>	<b>17,618</b>
Building and structures	61,708,354	1,777,425	(332,847)	63,152,932
Accumulated Depreciation	(23,189,951)	(1,245,816)	332,847	(24,102,920)
<b>Net Building &amp; Structures</b>	<b>38,518,403</b>	<b>531,609</b>	<b>-</b>	<b>39,050,012</b>
Equipment	14,022,501	1,424,043	(848,717)	14,597,827
Accumulated Depreciation	(7,771,107)	(1,048,334)	513,137	(8,306,304)
<b>Net Equipment</b>	<b>6,251,394</b>	<b>375,709</b>	<b>(335,580)</b>	<b>6,291,523</b>
Total Capital Assets Being Depreciated	75,799,301	3,201,468	(1,181,564)	77,819,205
Less: Accumulated Depreciation	(31,010,006)	(2,296,030)	845,984	(32,460,052)
<b>Net Total Capital Assets Being Depreciated</b>	<b>44,789,295</b>	<b>905,438</b>	<b>(335,580)</b>	<b>45,359,153</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 53,297,049</b>	<b>\$ 11,412,071</b>	<b>\$ (335,580)</b>	<b>\$ 64,373,540</b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Depreciation was charged to functions as follows:

**Governmental activities:**

General Government	\$ 326,136
Judicial Administration	275,880
Public Safety	1,160,695
Public Works	4,587,212
Health and Welfare	317,197
Parks, Recreation and Cultural	343,657
Community Development	5,196
Education	2,109,845
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,057,875
<b>Total</b>	<b><u><u>\$ 13,183,693</u></u></b>

**Business-type activities:**

Transit Company	\$ 1,171,255
Civic Facilities	543,526
Parking	573,319
Market Building	7,930
<b>Total</b>	<b><u><u>\$ 2,296,030</u></u></b>

**School Board Component Unit:**

	<b>Balance July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2006</b>
Equipment	\$ 10,492,067	\$ 876,994	\$ (323,816)	\$ 11,045,245
Accumulated Depreciation	(6,549,719)	(589,189)	320,379	(6,818,529)
<b>Net Equipment</b>	<b><u>3,942,348</u></b>	<b><u>287,805</u></b>	<b><u>(3,437)</u></b>	<b><u>4,226,716</u></b>
<b>Component unit capital assets, net</b>	<b><u><u>\$ 3,942,348</u></u></b>	<b><u><u>\$ 287,805</u></u></b>	<b><u><u>\$ (3,437)</u></u></b>	<b><u><u>\$ 4,226,716</u></u></b>

Capital assets used for educational purposes totaling \$82,961,837 are included with the Governmental Activities capital assets of the primary government. Depreciation expense on these assets was recorded as Education expense in the current fiscal year.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(7) Construction in Progress and Contract Commitments**

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2006 is as follows:

<u>Primary Government:</u>				
<u>Governmental Activities:</u>	<u>Project</u>	<u>Expended/Expensed</u>	<u>Contract</u>	<u>Required</u>
<u>Function</u>	<u>Authorizations</u>	<u>as of</u>	<u>Commitments</u>	<u>Future</u>
		<u>June 30, 2006</u>	<u>(Encumbrances)</u>	<u>Financing</u>
General Government	\$ 6,534,495	\$ 2,713,946	\$ 233,157	None
Parks, Recreation and Cultural	4,610,497	3,783,281	653,952	None
Flood Reduction	13,371,420	6,549,899	115,214	None
Economic Development	8,897,209	8,388,146	39,750	None
Community Development	5,609,522	16,586	-	None
Public Safety	15,233,158	9,007,464	3,613,934	None
Public Works	16,626,813	4,647,165	2,121,920	None
Education	80,598,625	26,509,375	15,819,307	None
Department of Technology	12,075,983	6,094,790	724,626	None
Fleet	99,500	-	-	None
<b>Subtotal</b>	<b>163,657,222</b>	<b>67,710,652</b>	<b>23,321,860</b>	
Non-Capitalized Projects	38,811,942	31,515,500	72,310	None
<b>Total</b>	<b>\$ 202,469,164</b>	<b>\$ 99,226,152</b>	<b>\$ 23,394,170</b>	

<u>Business-Type Activities:</u>				
<u>Fund</u>				
Civic Facilities	\$ 16,238,787	\$ 13,698,542	\$ 3,878,333	None
Parking	5,080,548	1,028,108	45,812	None
Market Building	174,000	128,350	35,798	None
<b>Total</b>	<b>\$ 21,493,335</b>	<b>\$ 14,855,000</b>	<b>\$ 3,959,943</b>	

In accordance with the provisions of GASB Statement No. 42, the City recognized a special item expense of \$1,575,776 in the current year associated with an impairment loss due to construction stoppage. In fiscal year 2002, the City began construction of a stadium/amphitheatre complex on Orange Avenue. During fiscal year 2006, City Council voted to instead build individual high school stadiums to address the sporting needs of the City. The decision on whether to build an amphitheatre is still under consideration. However, any further construction on the site would not be based on existing stadium-based architectural plans; therefore, these costs were removed from the construction in progress account. Costs related to site improvement and building demolition totaling \$1,707,769 will remain in construction in progress until a final decision is made as to the use of the property.



**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(8) Deferred Revenue**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue as reported in the governmental fund financial statements at June 30, 2006 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Deferred Property and Other Tax Revenue	\$ 2,563,862	\$ -	\$ 2,563,862
Prepaid Property Taxes	19,425	-	19,425
Other receivables for which revenue recognition criteria have not been met	-	4,188,642	4,188,642
<b>Total</b>	<u>\$ 2,583,287</u>	<u>\$ 4,188,642</u>	<u>\$ 6,771,929</u>

The governmental fund deferred revenue consists of approximately \$2.8 million in tax revenue that meets the definition for revenue recognition to be included in the government-wide Statement of Net Assets.

**(9) Long-Term Liabilities**

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The fund balance of the Debt Service Fund at June 30, 2006 of \$1,063,737 is designated for future retirement of long-term debt. The Charter of the City of Roanoke limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2006 is \$295,598,136. The City has no overlapping debt. The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. Outstanding long-term liabilities, gross of governmental activities deferred refunding amounts, as of June 30, 2006 are comprised of the following:

<u>Primary Government – Governmental Activities</u>			<b>Outstanding Amount at June 30, 2006</b>
<u>Original Amount</u>	<u>Description</u>		
\$13,010,000	1997A public improvement series bonds due in annual installments of \$650,000 through August 1, 2006; interest at 4.75%	\$	650,000
40,822,285	1997B public improvement series bonds due in annual installments of \$2,311,486 to \$2,375,887 through August 1, 2008; interest at 5.0%		7,031,229
26,020,000	1999A public improvement series bonds due in annual installments of \$1,245,000 through October 1, 2009; interest at 4.6% to 5.0%		4,565,000

**CITY OF ROANOKE, VIRGINIA**  
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<b>Original Amount</b>	<b>Description</b>	<b>Outstanding Amount at June 30, 2006</b>
\$10,100,000	1999B public improvement series bonds due in annual installments of \$910,000 to \$1,075,000 through October 1, 2009; interest at 4.6% to 5.0%	\$ 3,965,000
39,575,000	2002A public improvement series bonds due in annual installments of \$1,900,000 to \$2,150,000 through October 1, 2021; interest at 4.0% to 5.25%	33,435,000
12,000,000	2002B public improvement series bonds due in annual installments of \$600,000 to \$655,000 through October 1, 2021; interest at 4.0% to 5.0%	10,085,000
26,385,000	2003 public improvement series bonds due in annual installments of \$800,000 to \$2,095,000 through August 1, 2024; interest at 2.0% to 5.0%	26,095,000
46,030,000	2004 public improvement series bonds due in annual installments of \$1,920,000 to \$5,305,000 through October 1, 2019; interest at 2.0% to 5.0%	45,360,000
7,935,000	2004A public improvement series bonds due in annual installments of \$110,000 to \$765,000 through August 1, 2017; interest at 2.0% to 3.625%	7,760,000
36,105,000	2004B public improvement series bonds due in annual installments of \$1,805,000 through February 1, 2025; interest at 3.0% to 5.25%	34,295,000
3,975,000	2005 public improvement series bonds due in annual installments of \$265,000 through December 1, 2020; interest at 6.25%	3,975,000
20,550,000	2006A public improvement series bonds due in annual installments of \$895,000 to \$1,420,000 through February 1, 2026; interest at 3.5% to 5.0%	20,550,000
5,500,000	2006B public improvement series bonds due in annual installments of \$275,000 through February 1, 2026; interest at 4.0% to 5.0%	5,500,000
10,631,826	2006C public improvement series bonds due in annual installments of \$49,605 to \$2,319,172 through August 1, 2012; interest at 3.5% to 4.228%	10,631,826
1,291,618 (1)	2000 Qualified Zone Academy Bond due in annual installments of \$99,355 through December 20, 2013	794,842
800,000 (2)	2002 Qualified Zone Academy Bond due in annual installments of \$49,529 to \$71,107 through October 31, 2016	662,811
439,100 (3)	2004 Qualified Zone Academy Bond due in annual installments of \$22,838 to \$51,406 through December 29, 2020	416,714
<b>Subtotal General Obligation Bonded Debt</b>		<b><u>\$215,772,422</u></b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

<b>Original Amount</b>	<b>Description</b>	<b>Outstanding Amount at June 30, 2006</b>
\$ 9,644,271	State Literary Fund Loans due in annual installments of \$250,000 to \$486,000 through October 1, 2019; interest at 4.0%	\$ 4,952,000
800,000	Virginia Public School Authority (VPSA) series 1990B bonds due in annual installments of \$45,000 to \$50,000 through July 15, 2010; interest at 7.0% to 7.1%.	230,000
1,654,827	Virginia Public School Authority series 1991A bonds due in annual installments of \$87,950 to \$98,645 through July 15, 2011; interest at 6.6%.	558,374
2,171,447	Virginia Public School Authority series 1992A bonds due in annual installments of \$109,948 to \$123,480 through July 15, 2012; interest at 6.0% to 6.35%.	813,271
1,679,413	Virginia Public School Authority series 1994B bonds due in annual installments of \$84,030 to \$98,742 through July 15, 2014; interest at 6.45% to 6.75%.	815,220
4,006,579	Virginia Public School Authority series 1995C bonds due in annual installments of \$201,785 to \$218,820 through July 15, 2015; interest at 5.1%.	2,097,255
4,512,217	Virginia Public School Authority series 1996 bonds due in annual installments of \$224,827 to \$248,508 through July 15, 2016; interest at 5.1% to 6.1%.	2,595,852
4,578,704	Virginia Public School Authority series 1997 bonds due in annual installments of \$223,226 to \$248,508 through July 15, 2017; interest at 5.1% to 5.35%.	2,820,514
5,000,000	Virginia Public School Authority series 1998A bonds due in annual installments of \$250,000 through July 15, 2018; interest at 4.35% to 5.1%.	3,250,000
1,182,212	Virginia Public School Authority series 1998B bonds due in annual installments of \$58,317 to \$62,165 through July 15, 2018; interest at 4.35% to 5.1%.	774,268
3,100,000	Virginia Public School Authority series 1999A bonds due in annual installments of \$155,000 through July 15, 2019; interest at 5.1% to 6.1%.	2,170,000
1,091,854	Virginia Public School Authority series 1999B bonds due in annual installments of \$52,150 to \$61,863 through July 15, 2019; interest at 5.1% to 6.1%.	782,941

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

Original Amount	Description	Outstanding Amount at June 30, 2006
\$ 2,504,568	Virginia Public School Authority series 2000B bonds due in annual installments of \$119,193 to \$136,763 through July 15, 2020; interest at 5.1% to 5.85%.	\$ 1,919,185
1,730,421	Virginia Public School Authority series 2000B bonds due in annual installments of \$82,352 to \$94,490 through July 15, 2020; interest at 5.1% to 5.85%.	1,325,982
1,730,421	Virginia Public School Authority series 2000B bonds due in annual installments of \$82,352 to \$94,490 through July 15, 2020; interest at 5.1% to 5.85%.	1,325,982
2,594,691	Virginia Public School Authority series 2001B bonds due in annual installments of \$125,360 to \$136,763 through July 15, 2021; interest at 4.1% to 5.35%.	2,087,201
2,358,808	Virginia Public School Authority series 2001B bonds due in annual installments of \$113,963 to \$124,330 through July 15, 2021; interest at 3.1% to 5.35%.	1,897,454
4,595,399	Virginia Public School Authority series 2003C bonds due in annual installments of \$217,666 to \$248,659 through July 15, 2023; interest at 4.6% to 5.35%.	4,163,730
1,118,756	Virginia Public School Authority series 2004B bonds due in annual installments of \$48,713 to \$64,492 through January 1, 2025; interest at 4.1% to 5.6%.	1,072,441
992,464	Virginia Public School Authority series 2005D bonds due in annual installments of \$42,250 to \$57,591 through July 15, 2025; interest at 4.6% to 5.1%.	992,464
3,291,459	Virginia Public School Authority series 2005D bonds due in annual installments of \$140,181 to \$190,995 through July 15, 2025; interest at 4.6% to 5.1%.	3,291,459
6,000,000	Section 108 Loan Guarantee Assistance for Hotel Roanoke project, due to Federal Government in annual installments of \$330,000 to \$470,000 through August 1, 2013; interest at 4.048%	3,220,000
	<b>Subtotal General Obligation Debt</b>	<b>\$258,928,015</b>
	Capital Lease Payable – Human Services Building Rent – Blue Eagle Partnership (Note 10)	4,643,001
	Capital Lease Payable - Fleet Replacement Program (Note 10)	246,935

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2006</u>
	Claims Payable for the Internal Service Funds	\$ 9,483,497
	Compensated Absences Payable for the General and Internal Service Funds	<u>6,007,092</u>
	<b>Total Governmental Activities Liabilities</b>	<b><u>\$279,308,540</u></b>
<b><u>Primary Government - Business-type Activities</u></b>		
2,170,000	2002A Civic Center series bonds due in annual installments of \$75,000 to \$175,000 through October 1, 2021; interest at 4.0% to 5.25%	1,905,000
7,895,000	2004B Civic Center series bonds due in annual installments of \$285,000 to \$580,000 through February 1, 2025 interest at 3.0% to 5.25%	7,680,000
6,405,000	2006A Civic Center series bonds due in annual installments of \$215,000 to \$465,000 through February 1, 2026 interest at 3.5% to 5.0%	<u>6,405,000</u>
	<b>Total Civic Facilities Fund Long-Term Debt</b>	<b><u>15,990,000</u></b>
4,852,715 (4)	1997B Parking facility series bonds due in annual installments of \$459,113 to \$528,514 through August 1, 2008; interest at 4.75% to 5.0%	1,478,771
2,500,000	2002A Parking facility series bonds due in annual installments of \$90,000 to \$200,000 through October 1, 2021; interest at 4.0% to 5.25%	2,190,000
2,000,000	2004B Parking facility series bonds due in annual installments of \$70,000 to \$145,000 through February 1, 2025; interest at 3.0% to 5.25%	1,945,000
2,600,000	2006A Parking facility series bonds due in annual installments of \$90,000 to \$190,000 through February 1, 2026; interest at 3.5% to 5.0%	2,600,000
1,893,174 (5)	2006C Parking facility series bonds due in annual installments of \$10,395 to \$650,156 through August 1, 2011; interest at 3.5% to 4.228%	<u>1,893,174</u>
	<b>Total Parking Fund Long-Term Debt</b>	<b><u>10,106,945</u></b>
	Compensated Absences Payable for the Enterprise Funds	<u>111,860</u>
	<b>Total Business-Type Activities Long-Term Debt</b>	<b><u>\$26,208,805</u></b>
	<b>Total Primary Government Long-Term Liabilities</b>	<b><u>\$305,517,345</u></b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2006</u>
<b><u>School Board Component Unit</u></b>		
	Compensated Absences Payable for Employees of the School Board	\$3,676,488
	Claims Payable for School Board Component Unit	<u>4,333,665</u>
	<b>Total School Board Component Unit Long-Term Liabilities</b>	<b><u>\$8,010,153</u></b>

**Notes:**

- (1) Annual payments are made to a sinking fund. No interest is accrued on this debt.
- (2) Annual payments are made to a sinking fund. Interest is earned on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest at 4.01862% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$800,000.
- (3) Annual payments are made to a sinking fund. Interest is earned on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest at 2.0% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$439,100.
- (4) The Parking Fund 1997B series bonds incurred deferred bond costs in connection with an advance refunding of debt. These costs are reported as a reduction of the refunding of debt in Exhibit H. Deferred bond costs are amortized over the life of the refunding bonds.
- (5) The Parking Fund 2006C series bonds incurred deferred bond costs in connection with an advance refunding of debt. These costs are reported as a reduction of the refunding of debt in Exhibit H. Deferred bond costs are amortized over the life of the refunding bonds.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2006 are as follows:

<b>FISCAL YEAR</b>	<b>GENERAL OBLIGATION SERIAL BONDS</b>		<b>WESTERN VIRGINIA WATER AUTHORITY (WVWA) GENERAL OBLIGATION SERIAL BONDS</b>		<b>LITERARY FUND LOANS/ BONDS</b>	
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2006-07	\$ 13,875,615	\$ 7,279,112	\$ 2,391,226	\$ 1,191,142	\$ 2,950,937	\$ 1,993,301
2007-08	14,169,448	6,827,467	2,328,228	1,173,291	2,973,033	1,807,362
2008-09	14,460,599	6,322,272	2,340,590	1,070,226	2,916,231	1,656,302
2009-10	14,656,587	5,799,001	2,347,065	973,380	2,943,230	1,504,406
2010-11	13,829,999	5,282,549	2,343,333	880,693	2,911,438	1,351,381
2011-16	58,837,373	18,727,110	9,150,550	2,968,115	13,781,107	4,610,582
2016-21	38,926,809	8,120,747	6,010,000	1,562,979	9,005,907	1,586,321
2021-26	15,700,000	1,685,044	4,405,000	337,219	2,453,710	231,320
<b>TOTAL</b>	<b>\$ 184,456,430</b>	<b>\$ 60,043,302</b>	<b>\$ 31,315,992</b>	<b>\$ 10,157,045</b>	<b>\$ 39,935,593</b>	<b>\$ 14,740,975</b>

The following general obligation debt is issued to support business-type activities. The annual requirements to amortize business-type activities debt outstanding as of June 30, 2006 are as follows:

<b>FISCAL YEAR</b>	<b>CIVIC FACILITIES FUND SERIAL BONDS</b>		<b>PARKING FUND SERIAL BONDS</b>		<b>TOTAL BUSINESS-TYPE DEBT</b>	
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2006-07	\$ 575,000	\$ 671,396	\$ 739,882	406,820	\$ 1,314,882	\$ 1,078,216
2007-08	605,000	654,440	766,539	393,949	1,371,539	1,048,389
2008-09	620,000	633,415	805,610	357,710	1,425,610	991,125
2009-10	645,000	611,815	860,828	322,179	1,505,828	933,994
2010-11	665,000	588,565	903,930	287,532	1,568,930	876,097
2011-16	3,740,000	2,554,184	2,315,156	1,074,318	6,055,156	3,628,502
2016-21	4,665,000	1,638,629	2,100,000	648,457	6,765,000	2,287,086
2021-26	4,475,000	541,432	1,615,000	183,629	6,090,000	725,061
<b>TOTAL</b>	<b>\$ 15,990,000</b>	<b>\$ 7,893,876</b>	<b>\$ 10,106,945</b>	<b>\$ 3,674,594</b>	<b>\$ 26,096,945</b>	<b>\$ 11,568,470</b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

<b>SECTION 108 LOAN</b>		<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>	
<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
\$ 330,000	\$ 122,789	\$ 19,547,778	\$ 10,586,344
350,000	113,615	19,820,709	9,921,735
370,000	101,925	20,087,420	9,150,725
395,000	87,887	20,341,882	8,364,674
420,000	71,627	19,504,770	7,586,250
1,355,000	95,862	83,124,030	26,401,669
-	-	53,942,716	11,270,047
-	-	22,558,710	2,253,583
<u>\$ 3,220,000</u>	<u>\$ 593,705</u>	<u>\$ 258,928,015</u>	<u>\$ 85,535,027</u>



**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**CHANGES IN GENERAL LONG-TERM LIABILITIES**

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Amounts Due Within One Year
<b><u>Primary Government - Governmental Activities:</u></b>					
General Obligation Serial Bonds	\$ 165,912,061	\$ 33,000,834	\$ 14,456,465	\$ 184,456,430	\$ 13,875,614
General Obligation Serial Bonds - WVWA	33,435,000	7,655,992	9,775,000	31,315,992	2,391,226
Hotel Roanoke Section 108 Loan	3,530,000	-	310,000	3,220,000	330,000
State Literary Fund Loans	5,438,000	-	486,000	4,952,000	486,000
VPSA School Bonds	32,965,344	4,283,923	2,265,674	34,983,593	2,464,937
Capital Leases	5,648,433	-	758,497	4,889,936	331,005
Total Bonds, Loans and Leases Payable before Deferred Amounts and Premiums	246,928,838	44,940,749	28,051,636	263,817,951	19,878,782
Deferred Amount on Refunding and Premiums	(729,727)	406,740	(101,003)	(221,984)	(91,874)
Total Bonds, Loans and Leases Payable	246,199,111	45,347,489	27,950,633	263,595,967	19,786,908
Claims Payable	7,410,448	16,115,600	14,042,551	9,483,497	2,864,896
Compensated Absences Payable	5,645,008	4,707,138	4,345,054	6,007,092	4,062,227
<b>Subtotal Governmental Activities:</b>	<b>\$ 259,254,567</b>	<b>\$ 66,170,227</b>	<b>\$ 46,338,238</b>	<b>\$ 279,086,556</b>	<b>\$ 26,714,031</b>
<b><u>Primary Government - Business-Type Activities:</u></b>					
General Obligation Serial Bonds	\$ 17,876,626	\$ 10,898,174	\$ 2,677,855	\$ 26,096,945	\$ 1,314,882
Deferred Amount on Refunding and Premiums	331,654	57,050	9,428	379,276	(4,766)
Total Bonds and Loans	18,208,280	10,955,224	2,687,283	26,476,221	1,310,116
Compensated Absences Payable	94,447	100,256	82,843	111,860	75,667
<b>Subtotal Business-Type Activities:</b>	<b>\$ 18,302,727</b>	<b>\$ 11,055,480</b>	<b>\$ 2,770,126</b>	<b>\$ 26,588,081</b>	<b>\$ 1,385,783</b>
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$ 277,557,294</b>	<b>\$ 77,225,707</b>	<b>\$ 49,108,364</b>	<b>\$ 305,674,637</b>	<b>\$ 28,099,814</b>
<b><u>School Board Component Unit:</u></b>					
Compensated Absences Payable	\$ 3,618,119	\$ 1,949,328	\$ 1,890,959	\$ 3,676,488	\$ 1,036,034
Claims Payable	3,987,694	14,317,688	13,971,717	4,333,665	3,883,665
<b>Total School Board Component Unit</b>	<b>\$ 7,605,813</b>	<b>\$ 16,267,016</b>	<b>\$ 15,862,676</b>	<b>\$ 8,010,153</b>	<b>\$ 4,919,699</b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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During fiscal year 2006, the Debt Service Fund was used to account for the repayment of most long-term liabilities of governmental activities as shown preceding the paragraph. However, a portion of capital leases, claims payable and compensated absences was liquidated by Internal Service Funds. The remaining portion of compensated absences was liquidated by the General Fund.

On December 15, 2005, the City issued its Series 2005 general obligation public improvement bonds in the amount of \$3,975,000. Principal proceeds for this bond have been used to acquiring property for future development. The Series 2005 bonds were issued with a true interest cost of 6.250576%.

On February 8, 2006, the City issued its Series 2006A general obligation public improvement bonds in the amount of \$29,555,000. Principal proceeds in the amount of \$14,250,000 will be used toward renovation of the new Patrick Henry High School, \$3,700,000 will be donated to the Art Museum of Western Virginia, \$6,405,000 to continue Phase II of construction on the Civic Center, \$2,600,000 for Financial Information System Replacement, and \$2,600,000 to construct the Downtown West Parking Garage. The Series 2006A bonds were issued with a true interest cost of 4.100088%.

On February 8, 2006, the City issued its Series 2006B general obligation public improvement bonds in the amount of \$5,500,000. Principal proceeds have been used to assist the Roanoke Redevelopment and Housing Authority with a redevelopment project known as the South Jefferson Redevelopment Area or as the Riverside Centre for Research and Technology. The Series 2006B bonds are subject to Alternative Minimum Tax and were issued with a true interest cost of 4.4958%.

On July 1, 2004, the Western Virginia Water Authority commenced operations. In conjunction with its formation, the Authority assumed certain indebtedness of the City, and it agreed to pay the City amounts equal to debt service on Water and Water Pollution Control debt to be retained by the City. As of June 30, 2006, the City had \$31,315,992 in outstanding general obligation debt which will contractually be repaid by the Water Authority over the remaining nineteen year amortization of the bonds. Further details are presented in notes 3 and 15.

**Advance Refundings**

On May 4, 2006, the City issued its Series 2006C general obligation public improvement refunding bonds in the amount of \$12,525,000 to refund a portion of the Series 1997B general obligation public improvement refunding bonds.

The Series 2006C bonds were issued with a true interest cost of 3.8194823%. The bond proceeds were used to refund, in advance of their stated maturities, \$12,205,000 principal from the City's Series 1997B general obligation refunding bonds (of which \$7,500,000 were from the ultimate responsibility of the Western Virginia Water Authority).

The Series 1997B bonds mature annually through August 1, 2012. They have stated interest rates of 4.75% to 5.0%. The amounts maturing on August 1 in each of the years 2009 through 2013 were subject to redemption and were redeemed on August 1, 2006 at a redemption price equal to 102% of the principal amount refunded.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The net proceeds of \$12,611,364 from the Series 2006C refunding bonds were deposited in a trust account with SunTrust Bank (SunTrust) as escrow agent under an escrow deposit agreement between the City and SunTrust. Net proceeds include a premium of \$230,968 and the deduction of \$406,364 in deferred loss, \$60,112 in underwriting fees and \$125,000 in bond issuance costs. The escrow agent applied the proceeds to the purchase of U.S. Government obligations. The government obligations will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the refunded bonds to their redemption date and to pay the redemption price of the refunded bonds on such date. As a result, the refunded bonds are considered to be defeased in substance, and the liability for these bonds have been removed from the Statement of Net Assets.

The City advance refunded the Series 1997B bonds for the purpose of realizing interest savings due to the decline in municipal bond interest rates in recent years. The final maturity of the bonds was not extended as a result of this refunding. Principal payments on the refunding bonds range from \$60,000 to \$2,895,000 and are due annually through 2014.

The transaction also resulted in an economic gain of approximately \$309,095 and a reduction of approximately \$357,985 in future debt service payments.

**(10) Capital Leases**

**Suntrust Leasing Corporation**

During 2001, the City entered into an agreement with Suntrust to fund capital equipment purchases. Under the lease agreement, the City pays semi-annual installments of \$230,407 to Suntrust, representing principal and interest payments with interest at 4.47%. The five-year lease ended January 1, 2006. Ownership of the equipment is retained by the City from the date of asset acquisition.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2006, equipment assets under the capital lease totaled \$2,467,211 and accumulated depreciation on those assets totaled \$1,265,573.

**Blue Eagle Partnership**

During 2004, the City entered into an agreement with Blue Eagle Partnership to rent the third floor of a building to house the City's Social Services Department. Under the lease agreement, the City pays monthly rent of \$52,282 to Blue Eagle, representing principal and interest payments with interest at 11.80%. The lease term is twenty years. Ownership of the building is retained by Blue Eagle Partnership.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2006, the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$484,990.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**Koch Financial Corporation**

During 2002, the City entered into an agreement with Koch Financial Corporation (Koch) to fund capital equipment purchases. Under the lease agreement, the City pays semi-annual installments of \$126,941 to Koch, representing principal and interest payments with interest at 3.74%. The lease term is five years. Ownership of the equipment is retained by the City from the date of asset acquisition.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2006, equipment assets under the capital lease totaled \$1,151,650 and accumulated depreciation on those assets totaled \$474,331.

	Governmental Funds	Internal Service Funds	Total Governmental Activities
2007	627,379	253,883	881,262
2008	627,379	-	627,379
2009	627,379	-	627,379
2010	627,379	-	627,379
2011	627,379	-	627,379
2012-2016	3,136,895	-	3,136,895
2017-2021	3,136,895	-	3,136,895
2022-2026	1,620,731	-	1,620,731
Minimum lease payments	\$ 11,031,416	\$ 253,883	\$ 11,285,299
Less: Amounts representing interest	(6,388,415)	(6,948)	(6,395,363)
Present value of minimum lease payments	4,643,001	246,935	4,889,936
Less: Current portion	(84,070)	(246,935)	(331,005)
Long-Term Lease Obligation at June 30, 2006	<u>\$ 4,558,931</u>	<u>\$ -</u>	<u>\$ 4,558,931</u>

**(11) Fund Balances**

Except for those required to comply with accounting standards, all reservations and designations of General Fund balance reflect City Code requirements or City Council action in the context of adoption of the City's budget.

General Fund balance of \$1,219,270 is reserved for goods and services ordered but not received by June 30, 2006.

General Fund designations at June 30, 2006 consisted of the following:

- Code of the City of Roanoke (1979), as amended, stipulates that, at the conclusion of each fiscal year, \$250,000, to the extent available from any undesignated General Fund balance, shall be reserved for self-insured liabilities of the City. Subsequent to year end, this amount shall be transferred to the Risk Management Internal Service Fund for accumulation as a reserve for uninsured claims. The maximum balance of the reserve

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

in the Risk Management Fund shall be 3% of total General Fund appropriations for the concluded fiscal year. As of June 30, 2006, \$250,000 was reserved in the General Fund for self-insured liabilities.

- \$17,045,683 designated for the budget stabilization reserve. The reserve was established to serve as a funding source for emergencies or unforeseen declines in revenues. The reserve is supported by the Budget Stabilization Policy which was adopted by City Council in April 2005. This policy states that the reserve minimum will be 5% of the General Fund budget with a target of 8%.
- \$4,825,899 remains undesignated. Undesignated fund balance will be used for the funding of capital improvements and capital maintenance and equipment replacement.

The Debt Service Fund balance of \$1,063,737 is designated for future debt service payments.

Capital Projects Fund balance of \$22,669,544 is reserved for goods and services ordered but not received or paid by June 30, 2006. Fund balance of \$37,744,826 is designated for future capital projects expenditures.

**(12) Pensions and Deferred Compensation Plan**

City employees participate in one of two different pension plans and a deferred compensation plan. The first plan is primarily for City employees, the City of Roanoke Pension Plan (Pension Plan). Sheriff's employees participate in the second plan, the Virginia Retirement System (VRS). All City employees may also participate in an Internal Revenue Code Section 457 deferred compensation plan.

Disclosure concerning these plans is as follows:

**City of Roanoke Pension Plan - Plan Description**

The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's basic financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559 dated May 27, 1946, effective July 1, 1946. The Pension Plan covers all employees of the Roanoke Regional Airport Commission and the Roanoke Valley Juvenile Detention Commission, certain employees of the Roanoke Valley Resource Authority and the Western Virginia Water Authority, substantially all employees of the City; and non-professional City of Roanoke School Board employees. The City is the major contributor of employer contributions to the Pension Plan. City Council appoints members of the Pension Plan Board of Trustees to administer the Pension Plan. The Pension Plan is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994,

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June 1, 1998, November 2, 1998, and June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS an opportunity to transfer to the ESRS. The option was available from February 1, 1995 to May 16, 1995, July 1, 1998 through August 31, 1998, December 1, 1998 through December 31, 1998, and July 1, 2000 through July 31, 2000. Both the ERS and the ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the Board of Trustees. The Pension Plan provides retirement benefits as well as death and disability benefits.

Employees who are members of the ERS with 30 years of service or age 60 (normal retirement age) are entitled to an annual retirement benefit equal to 1/70 (1.429%) of their average final compensation (highest consecutive 12 months), excluding overtime, for each year of service. Employees may retire with 20 years of service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable monthly. If employees under age 60 terminate before rendering ten years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees who are members of the ESRS with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80, and police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1 percent of their final average compensation for each year of credited service up to a maximum of 63 percent. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees under age 65 terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Effective July 1, 2000, an additional monthly supplement equal to the greater of (a) \$159 or (b) 75% of the amount the City contributes toward the cost of a single active employee's health insurance shall be paid for eligible retirees until the month in which the retiree attains age 65. Any member of the City of Roanoke Pension Plan who was an employee of one of the participating employers of the Pension Plan (not including employees of the City of Roanoke School Board) and who retired after earning 20 or more years of creditable service but prior to attaining the age of 65 is eligible for this supplement. This supplement is not available to retirees receiving the early retiree incentive plan supplement granted in 1991.

The City of Roanoke Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Roanoke Retirement Office, Attention: Retirement Administrator, P.O. Box 1220, Roanoke, Virginia 24006.

**City of Roanoke Pension Plan - Funding Policy**

The Pension Plan is noncontributory for employees. Employer contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2006 was 12.61% of annual covered payroll.

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**City of Roanoke Pension Plan - Annual Pension Cost**

For fiscal year 2006, the City's annual pension cost of \$7,374,268 was equal to the City's required and actual contributions. As stipulated by City Code, the required contribution was determined as part of the June 30, 2004 actuarial valuation using the projected unit credit actuarial cost method. Any unfunded/(overturned) actuarial liability is amortized using the level percentage of pay amortization method over a 20-year closed amortization period. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases ranging from 4.5% to 8.5% per year, and (c) 2.1% cost-of-living adjustment effective July 1, 2004. Projected salary increases include an inflation component of 3.75%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

**Trend Information  
City of Roanoke, Virginia**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2004	4,614,932	100%	-0-
June 30, 2005	5,447,515	100%	-0-
June 30, 2006	7,374,268	100%	-0-

**Virginia Retirement System - Plan Description**

The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS or the System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with 5 years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. Average final compensation is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**Virginia Retirement System - Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. The City has assumed the employee's 5% contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2006 was 11.25% of annual covered payroll.

**Virginia Retirement System - Annual Pension Cost**

For fiscal year 2006, the City's annual pension cost of \$919,403 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. Any unfunded actuarial liability is amortized as a level percentage of payroll on an open basis within a period of 25 years. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The following information related to trend information is provided.

**Trend Information  
City of Roanoke, Virginia**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2004	460,417	100%	-0-
June 30, 2005	898,957	100%	-0-
June 30, 2006	919,403	100%	-0-

**(13) Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk management activities are accounted for in the Risk Management Internal Service Fund.

Annually, \$250,000 is designated in the General Fund for self-insurance. This amount is transferred to the Risk Management Fund in the subsequent year. Claims expenditures/expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) based on an annual actuarial study performed by a third party.

The City has general liability and automobile liability insurance through a commercial insurer. This coverage includes a \$1 million deductible, per occurrence, and provides indemnity to cover



**CITY OF ROANOKE, VIRGINIA**  
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settlements that exceed this amount. The amount of settlements did not exceed insurance coverage for each of the past three years.

The City has property insurance coverage with a \$100,000 deductible. The Roanoke Civic Center is insured under a package policy including property and liability coverage to address the unique exposures of this facility and its many events. Flood insurance is purchased to protect properties in flood zones. Boiler and machinery insurance is purchased to protect various City properties. Pollution legal liability coverage is purchased and provides coverage of up to \$5 million over a three-year period with a \$100,000 deductible. The amount of insurance claims did not exceed coverage limits for each of the past three years.

The City purchases a liability policy and an accidental injury medical policy to protect up to 150 volunteers who perform tasks on behalf of the City. The City purchases medical malpractice liability insurance to protect its medical personnel. The amount of settlements did not exceed insurance coverage for each of the past three years.

The City is self-insured for employee health insurance with stop loss provisions to limit catastrophic claims. The City is self-insured for workers' compensation.

Included in long-term liabilities at June 30, 2006, were claims payable of \$9,483,497 as a provision for unasserted claims. The City's policy is to fully fund the liability on an ongoing basis and, as such, resources required to settle liabilities resulting from claims are available in cash and investments. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past three years. Changes in the reported liability during the prior two years are shown in the following tabulation:

	<u>2005-06</u>	<u>2004-05</u>
Claims liability at July 1	\$ 7,410,448	\$ 7,956,946
Claims incurred	16,115,600	10,630,721
Claims payments	(14,042,551)	(11,177,219)
Claims liability at June 30	<u>\$ 9,483,497</u>	<u>\$ 7,410,448</u>

Surety Bond coverage (unaudited) is as follows:

Fidelity and Deposit Company of Maryland:	<u>Amount</u>
City Council	\$1,000,000
All City Employees - Blanket Bond	1,000,000
Clerk of the Circuit Court	100,000
Treasurer - Public Official Bond	1,000,000
Treasurer - Crime Bond	200,000
Treasurer's Office - Crime Bond	100,000
Sheriff	80,000
Commissioner of the Revenue	3,000
Civic Center Employees:	
Director of Civic Facilities	250,000
Box Office Supervisor	250,000
Assistant Box Office Supervisor	250,000

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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	<u>Amount</u>
Pension Plan Trustees/Administrators	2,000,000
Self-insurance program through Commonwealth of Virginia Division of Risk Management:	
City Treasurer's Employees - Blanket Bond	750,000
All Other Constitutional Officers' Employees - Blanket Bond	500,000

**School Board Component Unit**

The School Board Component Unit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported. There have been no significant changes in insurance coverage, or settlements exceeding insurance coverage, during the past three years.

The School Board Component Unit is self-insured for workers' compensation claims as well as for health insurance claims. Changes in the reported liability during the prior two years are shown in the following tabulation:

	2005-06	2004-05
Claims liability at July 1	\$ 3,987,694	\$ 4,691,953
Claims incurred	14,317,688	12,952,091
Claims payments	(13,971,717)	(13,656,350)
Claims liability at June 30	<u>\$ 4,333,665</u>	<u>\$ 3,987,694</u>

**(14) Joint Ventures**

**Hotel Roanoke Conference Center Commission**

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint venture to establish and operate a publicly-owned Conference Center in the City of Roanoke in conjunction with the Hotel Roanoke, which is adjacent to the Conference Center. The Hotel Roanoke Conference Center Commission (HRCCC) is composed of six members, three of whom are appointed by City Council and three of whom are appointed by Virginia Tech. The HRCCC has the authority to issue debt, and such debt is the responsibility of the HRCCC. The City has issued general obligation bonds in its name for its share of the Conference Center construction costs and is obligated to repay this debt.

The intention of the HRCCC is to be self-supporting through its user fees. The City and Virginia Tech share equally in any operating deficit or additional funding needed for capital expenditures. The City has no equity interest in the HRCCC; however, as previously mentioned, additional funding or subsidies may be necessary. For the fiscal year ended June 30, 2006, the City contributed \$100,000 to the HRCCC. Financial statements may be obtained from the Hotel Roanoke Conference Center Commission, 106 Shenandoah Avenue, Roanoke, Virginia 24016.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**Roanoke Valley Regional Fire-EMS Training Center**

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a fire/EMS training center (Center). The Center is governed by a committee designated by the participating jurisdictions. New fire-EMS recruits are required to take a five-month training course at the facility before being assigned to a station. After completion of the training, the new recruits are state certified. Each jurisdiction is responsible for a percentage of the annual operating costs of the facility. The City is responsible for forty-four percent of the annual operating costs. For the fiscal year ended June 30, 2006, the City paid \$33,000 of the total annual operating costs of the facility. Financial statements may be obtained from the Roanoke Valley Regional Fire-EMS Training Center, 1220 Kessler Mill Road, Salem, Virginia 24153.

**(15) Jointly Governed Organizations**

**Roanoke Valley Regional Board**

The Counties of Botetourt, Craig, Franklin, and Roanoke, and the Cities of Roanoke and Salem jointly participate in a regional education program for severely disabled students operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of six members, one from each participating locality. The City has control over budget and financing only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2006, the City of Roanoke School Board, a component unit of the City, remitted approximately \$2,030,000 to the Regional Board for services.

**Roanoke Valley Resource Authority**

The City of Roanoke, the County of Roanoke, and the Town of Vinton jointly participate in the Roanoke Valley Resource Authority (Authority), which operates the regional sanitary landfill, waste collection and transfer station, and related treatment facilities. The Authority is governed by a board composed of seven members designated by the participating jurisdictions. City Council appoints two members. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. The participating localities are each responsible for their pro rata share, based on population, of any year-end operating deficit. For the fiscal year ended June 30, 2006, the City remitted approximately \$2,380,000 to the Authority for services.

**Roanoke Regional Airport Commission**

The City and Roanoke County formed the Roanoke Regional Airport Commission (Commission) in 1986 to own and operate a regional airport. The Commission is composed of five members. Three commissioners are appointed by Roanoke City Council and two are appointed by the Roanoke County Board of Supervisors. Airport operations are financed by user fees. The City and Roanoke County are each responsible for their pro rata share, based on population, of any year-end operating deficit or unfunded capital projects if any additional funding is required. The Commission may incur debt and is responsible for paying all outstanding debt. The City has control over budget and financing only to the extent of representation by the board members appointed. No subsidy has been required since inception.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

**Roanoke Valley Detention Commission**

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six member board. Roanoke City Council appoints two members. Each locality's financial obligation is based on the number of juveniles housed at the facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2006, the City remitted approximately \$1,494,000 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

**Blue Ridge Behavioral Healthcare**

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed the Blue Ridge Behavioral Health Care (BRBH) to provide a system of comprehensive community mental health, mental retardation and substance abuse services. BRBH is governed by a sixteen member board. City Council appoints three members. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. For the fiscal year ended June 30, 2006, the City remitted approximately \$447,000 to BRBH.

**Fifth Planning District Disability Services Board**

The Counties of Alleghany, Botetourt, Craig and Roanoke, the Town of Vinton, and the Cities of Roanoke, Salem and Covington jointly participate in the Fifth Planning District Disability Services Board (Board). The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities. City Council appoints one member to the fifteen member board. The City has no continuing financial obligation to the Board.

**Roanoke Valley Regional Animal Control Facility**

The City, the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board, which is responsible for the general fiscal and management policies for the Roanoke Valley Regional Animal Control Facility (RVRACF). In April 2004, construction was completed on a new center for animal control and protection adjacent to an animal education and adoption facility which also opened in spring 2004. Both facilities are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals (RVSPCA). The new animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. Each participating locality pays monthly amounts for its share of operating costs, debt service and to fund reserves for operating and maintenance needs of the RVRACF based on the locality's average use of the facility. The City's share is currently 51%, and during the year ended June 30, 2006, the City remitted approximately \$465,000 for its share of RVRACF expenses. In the event the total net expenses, for a fiscal year, exceed the total amounts collected from the participating localities, each participating locality shall pay an amount equal to the excess of the net expenses multiplied by the use percentage for that locality.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

**Western Virginia Water Authority**

The City and the County of Roanoke combined its water and water pollution control functions to form the Western Virginia Water Authority (WVWA) on July 1, 2004. The WVWA is responsible for the supply, treatment, distribution, and transmission of water and the collection and treatment of wastewater. The WVWA is governed by a seven member board consisting of three City appointees, three County appointees, and one additional member selected by the other six. The City has control over the budget and financing for the WVWA only to the extent of representation by the board members appointed. Upon formation of the WVWA, the City retained \$35,645,000 of general obligation bonds, which are contractually to be repaid by the WVWA in accordance with its operating agreement. During fiscal year 2006, \$3,709,005 in locality compensation payments were paid by the WVWA to the City to cover principal and interest payment on the bonds. As of June 30, 2006, the remaining principal balance of these bonds was \$31,315,992, and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Assets of the basic financial statements.

**(16) Related Organizations**

**Industrial Development Authority of the City of Roanoke, Virginia**

The Industrial Development Authority issues low-interest, tax-free industrial revenue bonds in its name to acquire and improve property that is sold or leased to enterprises locating or remaining in the City. City Council is responsible for appointing the seven member board; however, neither the City, the state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$416.3 million.

**Roanoke Redevelopment and Housing Authority**

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the State created to provide low income and subsidized housing. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2006, the City remitted \$1,798,000 to the Housing Authority.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

**(17) Commitments and Contingencies**

The City is named as a defendant in litigation involving claims for personal injury or property damages. City officials estimate that any ultimate liability not covered by insurance would not have a material effect on the City's financial position.

Grants are subject to audit to determine compliance with their requirements. City officials believe that if any refunds are required, they will be immaterial.

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**(1) Budgetary Comparison Schedule - General Fund**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
<b>Budgetary Fund Balance, July 1, 2005</b>	\$ 21,050,254	\$ 21,050,254	\$ 21,050,254	\$ -
<b>Resources (Inflows):</b>				
General Property Taxes	\$ 93,243,000	\$ 85,246,940	\$ 86,447,295	\$ 1,200,355
Other Local Taxes	65,801,000	65,801,000	69,812,361	4,011,361
Permits, Fees, and Licenses	1,069,000	1,069,000	1,469,016	400,016
Fines and Forfeitures	1,354,000	1,354,000	1,444,566	90,566
Revenue from Use of Money and Property	722,000	722,000	1,462,840	740,840
Charges for Services	11,418,000	11,736,042	11,142,081	(593,961)
Intergovernmental	49,808,000	62,151,026	60,385,950	(1,765,076)
Miscellaneous	384,000	384,000	442,065	58,065
<b>Amounts Available for Appropriation</b>	<b>\$ 244,849,254</b>	<b>\$ 249,514,262</b>	<b>\$ 253,656,428</b>	<b>\$ 4,142,166</b>
<b>Charges to Appropriations (Outflows):</b>				
<b>General Government:</b>				
City Treasurer	\$ 893,774	\$ 918,554	\$ 918,454	\$ (100)
Commissioner of the Revenue	899,264	891,964	885,570	(6,394)
City Council	239,129	238,000	224,898	(13,102)
City Attorney	866,466	870,747	852,500	(18,247)
City Clerk	564,613	593,326	582,075	(11,251)
Municipal Auditing	559,902	590,216	590,214	(2)
Department of Finance	1,806,641	1,891,979	1,881,609	(10,370)
Office of Billings and Collections	649,609	649,360	640,581	(8,779)
Real Estate Valuation	955,332	886,607	886,577	(30)
Board of Equalization	20,944	32,006	30,135	(1,871)
Electoral Board	287,944	360,790	309,487	(51,303)
Office of Communications	571,349	636,137	634,350	(1,787)
City Manager	739,737	792,577	792,574	(3)
Human Resources	1,141,432	1,131,986	1,131,930	(56)
Occupational Health Clinic	490,934	443,702	443,279	(423)
Department of Management and Budget	572,951	537,117	531,610	(5,507)
Purchasing	295,470	295,963	295,881	(82)
Director of General Services	168,869	195,896	195,879	(17)
Management Services	106,599	109,233	103,145	(6,088)
Environmental Services/Emergency Management	257,438	252,301	248,644	(3,657)
<b>Judicial Administration:</b>				
Clerk of Circuit Court	1,248,354	1,260,666	1,254,914	(5,752)
Juvenile and Domestic Relations Court Services	1,411,273	1,543,394	1,543,377	(17)
Juvenile and Domestic Relations Court Clerk	39,420	64,611	61,497	(3,114)
Magistrates Office	2,917	3,452	3,451	(1)
General District Court	42,296	42,296	41,149	(1,147)
Circuit Court	499,718	489,776	484,500	(5,276)
Sheriff	2,176,319	2,122,452	2,122,452	-
Commonwealth's Attorney	1,319,516	1,331,191	1,325,741	(5,450)
Cost Collection Unit	70,428	71,393	70,615	(778)
Law Library	148,435	153,827	153,814	(13)

See Accompanying Note to Budgetary Comparison Schedule - General Fund.

See Accompanying Independent Auditors' Report.

(continued)

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
<b>Public Safety:</b>				
Jail	12,962,027	13,116,110	13,076,869	(39,241)
E911	2,153,780	2,098,351	2,095,469	(2,882)
E911 - Wireless	317,905	225,303	219,316	(5,987)
Telecommunications	606,941	626,622	615,088	(11,534)
Fire - Administration	779,609	798,546	776,964	(21,582)
Fire - Support	752,325	826,258	826,178	(80)
Fire - Operations	13,272,748	13,896,076	13,798,112	(97,964)
Fire - Airport Rescue	656,987	672,317	671,412	(905)
Emergency Medical Services	2,123,768	1,888,189	1,869,977	(18,212)
Building Inspections	769,741	829,654	829,620	(34)
Outreach Detention	239,348	242,665	242,130	(535)
Youth Haven I	590,427	615,907	613,766	(2,141)
Crisis Intervention	556,768	595,224	595,160	(64)
Police - Administration	505,262	460,805	460,228	(577)
Police - Investigation	3,158,027	3,279,859	3,279,811	(48)
Police - Patrol	11,535,630	12,196,401	12,166,290	(30,111)
Police - Services	3,118,611	3,145,809	3,143,047	(2,762)
Police - Training	735,620	667,764	658,078	(9,686)
Police - Animal Control	838,751	919,710	919,558	(152)
<b>Public Works:</b>				
Custodial Services	1,161,651	1,077,023	1,075,052	(1,971)
Building Maintenance	3,627,288	3,914,681	3,864,988	(49,693)
Director of Public Works	230,356	212,470	212,448	(22)
Transportation - Streets and Traffic	4,530,129	4,618,055	4,513,513	(104,542)
Transportation - Paving Program	2,428,952	2,803,853	2,794,141	(9,712)
Transportation - Snow Removal	253,869	357,939	357,062	(877)
Transportation - Street Lighting	916,614	986,380	986,379	(1)
Transportation - Engineering and Operations	1,508,593	1,478,114	1,451,995	(26,119)
Solid Waste Management	6,305,809	6,753,177	6,738,749	(14,428)
Engineering	1,723,428	1,641,040	1,621,074	(19,966)
<b>Health and Welfare:</b>				
Human Services Support	145,796	379,388	377,216	(2,172)
Health Department	1,251,477	1,243,875	1,237,924	(5,951)
Blue Ridge Behavioral Health Care	434,481	434,481	434,481	-
Human Services Committee	561,982	566,982	566,982	-
Social Services - Administration	1,589,997	1,413,336	1,391,652	(21,684)
Income Maintenance	5,041,676	5,407,160	5,218,926	(188,234)
Social Services - Services	10,257,729	12,565,974	12,182,050	(383,924)
Social Services - Revenue Maximization	54,267	38,509	35,827	(2,682)
Employment Services	1,393,351	1,489,520	1,369,938	(119,582)
Foster Parent Training	110,844	113,665	111,512	(2,153)
VISSTA	373,357	487,482	393,261	(94,221)
Hospitalization Program	78,335	80,936	80,936	-
Comprehensive Services Act	9,152,256	10,650,000	10,178,781	(471,219)
Comprehensive Services Act - Administration	67,047	91,144	91,111	(33)

See Accompanying Note to Budgetary Comparison Schedule - General Fund.  
See Accompanying Independent Auditors' Report.

(continued)



**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
<b>Parks, Recreation and Cultural:</b>				
Roanoke Arts Commission	335,512	335,512	335,512	-
Recreation	1,420,826	1,350,654	1,350,631	(23)
Parks	3,281,367	3,307,960	3,307,927	(33)
Parks & Recreation - Administration	1,380,027	1,563,010	1,523,219	(39,791)
Parks & Recreation - Youth Services	300,360	454,203	453,836	(367)
Libraries	2,716,006	2,827,376	2,776,434	(50,942)
<b>Community Development:</b>				
Memberships and Affiliations	1,641,079	1,853,675	1,849,304	(4,371)
Economic Development	1,047,234	1,105,658	1,076,473	(29,185)
Planning, Building and Development	1,088,524	1,149,332	1,149,141	(191)
Neighborhood Partnership	144,622	155,508	149,323	(6,185)
Citizens Service Center	24,625	25,303	24,420	(883)
Housing and Neighborhood Services	1,453,868	1,406,253	1,406,247	(6)
Virginia Cooperative Extension	61,903	115,688	115,688	-
<b>Nondepartmental:</b>				
Residual Fringe Benefits	2,396,609	7,182	-	(7,182)
Transfers to Other Funds	6,413,139	8,969,377	8,969,377	-
Transfers to Debt Service Fund	17,724,718	17,862,788	17,862,787	(1)
Transfers to Component Units	54,352,299	55,789,730	55,789,730	-
Miscellaneous	100,000	64,330	10,824	(53,506)
Personnel Lapse	(2,122,406)	141,306	-	(141,306)
Contingency	2,118,056	71,019	-	(71,019)
<b>Total Charges to Appropriations</b>	<b>223,799,000</b>	<b>233,864,137</b>	<b>231,534,846</b>	<b>(2,329,291)</b>
<b>Budgetary Fund Balance, June 30, 2006</b>	<b>\$ 21,050,254</b>	<b>\$ 15,650,125</b>	<b>\$ 22,121,582</b>	<b>\$ 6,471,457</b>

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:**

**Sources/Inflows of Resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 253,656,428
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes (Exhibit E).	(21,050,254)
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 232,606,174</u>

**Uses/Outflows of Resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 231,534,846
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(26,832,164)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	(1,219,270)
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 203,483,412</u>

See Accompanying Note to Budgetary Comparison Schedule - General Fund.

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**(2) Schedule of Funding Progress**

**Virginia Retirement System Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Over funded) AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL (OAAL) as a Percentage of Covered Payroll
6/30/2005	\$ 28,648,433	\$ 31,277,669	\$ 2,629,236	91.59%	\$ 7,729,832	34.01%
6/30/2004	27,642,697	32,373,471	4,730,774	85.39%	7,631,051	61.99%
6/30/2003	27,059,171	29,452,717	2,393,546	91.87%	7,465,629	32.06%
6/30/2002	26,478,457	26,659,102	180,645	99.32%	7,417,579	2.44%
6/30/2001	25,213,155	25,095,233	(117,922)	100.47%	6,978,095	(1.69%)
6/30/2000	22,713,555	22,883,062	169,507	99.26%	6,563,303	2.58%

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**(3) Note to Budgetary Comparison Schedule – General Fund**

**(A) Budgets and Budgetary Accounting**

The City adheres to the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule located in the Required Supplementary Information:

- 1. Proposal** – At least sixty days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Projects and Grants** – The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project. The Special Revenue Fund budget is adopted on a grant length basis as grants are received by the City. Grant budgets are not legally enacted on an annual period basis; therefore, a budgetary comparison statement is not presented for the Special Revenue Fund.
- 3. Adoption** – Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to May 15, the budget is legally adopted at the departmental level through passage of an appropriation ordinance by City Council.
- 4. Amendment** – The City Manager is authorized to transfer amounts not exceeding \$75,000 between departments beginning July through March and to transfer any amount between departments beginning April through June. The City Manager also has the authority to make transfers of any amount within a given department. All other transfers or supplemental appropriations must be approved by City Council. During the year, \$10,065,137 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of designated fund balance, and the appropriation of additional intergovernmental grants received during the year.
- 5. Integration** – Formal budgetary integration is employed as a management control device during the year for the General and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through budgeted transfers from the General Fund to the Debt Service Fund for debt payments.
- 6. Legal Compliance** – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource. A reconciliation of the actual General Fund uses of financial resources presented in accordance with generally accepted accounting principles is presented as part of the Budgetary Comparison Schedule located in the Required Supplementary Information.

## ***INTERNAL SERVICE FUNDS***

*Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The following activities of the City are reported as Internal Service Funds:*

<b><i>Department of Technology</i></b>	<i>Implementing and maintaining system applications and infrastructure and providing workstation support.</i>
<b><i>Fleet Management</i></b>	<i>Ownership and Maintenance of City vehicle fleet and related supplies</i>
<b><i>Risk Management</i></b>	<i>Financing of property, workers' compensation, employee medical, auto and general liability insurance coverage</i>

## ***AGENCY FUND***

*An Agency Fund is used to account for the assets held on behalf of the **Hotel Roanoke Conference Center Commission (HRCCC)**. The HRCCC is a joint venture of the City of Roanoke and Virginia Polytechnic Institute and State University (Virginia Tech) to operate the Hotel Roanoke Conference Center facility.*

**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2006**

	<b>Department of Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total Internal Service Funds</b>
<b><u>Assets</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,056,315	\$ 551,012	\$ 5,476,230	\$ 9,083,557
Investments	4,284,120	912,028	6,133,484	11,329,632
Interest and Dividends Receivable	38,961	-	72,544	111,505
Due from Other Governments	51,444	263	-	51,707
Due from Other Funds	530,033	611,860	835,195	1,977,088
Due from Component Unit	-	10,597	-	10,597
Accounts Receivable	-	60	-	60
Inventory	-	203,092	-	203,092
Other Assets	26,884	-	110,000	136,884
<b>Total Current Assets</b>	<b>7,987,757</b>	<b>2,288,912</b>	<b>12,627,453</b>	<b>22,904,122</b>
Capital Assets:				
Equipment and Other Capital Assets	12,551,639	26,646,224	-	39,197,863
Construction in Progress	6,094,790	-	-	6,094,790
Less Accumulated Depreciation	(6,737,361)	(17,984,409)	-	(24,721,770)
<b>Capital Assets, Net</b>	<b>11,909,068</b>	<b>8,661,815</b>	<b>-</b>	<b>20,570,883</b>
<b>Total Assets</b>	<b>\$ 19,896,825.00</b>	<b>\$ 10,950,727.00</b>	<b>\$ 12,627,453.00</b>	<b>\$ 43,475,005.00</b>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	270,657	396,025	19,086	685,768
Accrued Interest Payable	40,607	4,618	-	45,225
Due to Other Funds	157,307	76,378	75,269	308,954
Long-Term Liabilities Due Within One Year	669,954	318,778	2,882,488	3,871,220
<b>Total Current Liabilities</b>	<b>1,138,525</b>	<b>795,799</b>	<b>2,976,843</b>	<b>4,911,167</b>
Long-Term Liabilities:				
Compensated Absences Payable	211,203	92,106	15,036	318,345
Claims Payable	-	-	9,483,497	9,483,497
General Obligation Bonds Payable, Net	2,627,044	-	-	2,627,044
Capital Lease Liability	-	246,935	-	246,935
Less Current Maturities	(669,954)	(318,778)	(2,882,488)	(3,871,220)
<b>Total Long-Term Liabilities</b>	<b>2,168,293</b>	<b>20,263</b>	<b>6,616,045</b>	<b>8,804,601</b>
<b>Total Liabilities</b>	<b>\$ 3,306,818.00</b>	<b>\$ 816,062.00</b>	<b>\$ 9,592,888.00</b>	<b>\$ 13,715,768.00</b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets, Net of Related Debt	10,415,376	8,414,880	-	18,830,256
Restricted	205,752	-	-	205,752
Unrestricted	5,968,879	1,719,785	3,034,565	10,723,229
<b>Total Net Assets</b>	<b>\$ 16,590,007</b>	<b>\$ 10,134,665</b>	<b>\$ 3,034,565</b>	<b>\$ 29,759,237</b>

**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 6,269,175	\$ 6,047,270	\$ 12,432,850	\$ 24,749,295
Other Revenue	-	-	10,818	10,818
<b>Total Operating Revenues</b>	<b>6,269,175</b>	<b>6,047,270</b>	<b>12,443,668</b>	<b>24,760,113</b>
<b><u>Operating Expenses</u></b>				
Personal Services	2,505,642	1,494,626	188,455	4,188,723
Other Services and Charges	1,234,144	136,066	13,968,772	15,338,982
Materials and Supplies	1,116,779	2,154,299	1,224,958	4,496,036
Depreciation	2,230,802	1,827,073	-	4,057,875
<b>Total Operating Expenses</b>	<b>7,087,367</b>	<b>5,612,064</b>	<b>15,382,185</b>	<b>28,081,616</b>
<b>Operating Income (Loss)</b>	<b>(818,192)</b>	<b>435,206</b>	<b>(2,938,517)</b>	<b>(3,321,503)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Gain on Disposal of Assets	-	84,885	-	84,885
Investment Income	182,554	30,806	405,623	618,983
Interest Expense	(2,444)	(14,811)	-	(17,255)
<b>Net Nonoperating Revenues</b>	<b>180,110</b>	<b>100,880</b>	<b>405,623</b>	<b>686,613</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>(638,082)</b>	<b>536,086</b>	<b>(2,532,894)</b>	<b>(2,634,890)</b>
<b><u>Transfers and Contributions</u></b>				
Capital Contributions	-	337,422	-	337,422
Transfers In	1,277,753	982,516	670,857	2,931,126
Transfers Out	-	(47,559)	-	(47,559)
<b>Net Transfers and Contributions</b>	<b>1,277,753</b>	<b>1,272,379</b>	<b>670,857</b>	<b>3,220,989</b>
Change in Net Assets	639,671	1,808,465	(1,862,037)	586,099
<b>Net Assets - Beginning of Year</b>	<b>15,950,336</b>	<b>8,326,200</b>	<b>4,896,602</b>	<b>29,173,138</b>
<b>Net Assets - End of Year</b>	<b>\$ 16,590,007</b>	<b>\$ 10,134,665</b>	<b>\$ 3,034,565</b>	<b>\$ 29,759,237</b>

**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<b>Cash Flows From Operating Activities:</b>				
Cash Received from Customers	\$ 6,097,327	\$ 5,783,426	\$ 11,697,541	\$ 23,578,294
Cash Payments to Suppliers for Goods and Services	(2,313,723)	(2,025,424)	(1,109,040)	(5,448,187)
Cash Payments to Other Funds for Interfund Services	(474)	(75,018)	(26,950)	(102,442)
Cash Payments to Employees	(2,474,799)	(1,487,641)	(183,815)	(4,146,255)
Cash Payments for Claims	-	-	(11,969,502)	(11,969,502)
Cash Received From Other Operating Revenue	-	-	10,818	10,818
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>1,308,331</b>	<b>2,195,343</b>	<b>(1,580,948)</b>	<b>1,922,726</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers In	1,277,753	982,516	670,857	2,931,126
Transfers Out	-	(47,559)	-	(47,559)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,277,753</b>	<b>934,957</b>	<b>670,857</b>	<b>2,883,567</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(1,345,593)	(1,752,350)	-	(3,097,943)
Proceeds from Sale of Capital Assets	-	137,977	-	137,977
Proceeds from Issuance of Bonds	2,600,000	-	-	2,600,000
Principal Paid on Bonds and Capital Lease Obligations	-	(531,756)	-	(531,756)
Interest Paid on Bonds and Capital Leases	(2,444)	(25,840)	-	(28,284)
Capital Contributions	-	337,422	-	337,422
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>1,251,963</b>	<b>(1,834,547)</b>	<b>-</b>	<b>(582,584)</b>
<b>Cash Flows From Investing Activities:</b>				
Interest Received	211,690	26,806	400,558	639,054
Sale of Investments	-	-	4,591,000	4,591,000
Purchase of Investments	(1,111,720)	(912,028)	-	(2,023,748)
<b>Cash Provided by (Used for) Investing Activities</b>	<b>(900,030)</b>	<b>(885,222)</b>	<b>4,991,558</b>	<b>3,206,306</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,938,017</b>	<b>410,531</b>	<b>4,081,467</b>	<b>7,430,015</b>
<b>Cash and Cash Equivalents at July 1</b>	<b>118,298</b>	<b>140,481</b>	<b>1,394,763</b>	<b>1,653,542</b>
<b>Cash and Cash Equivalents at June 30</b>	<b>\$ 3,056,315</b>	<b>\$ 551,012</b>	<b>\$ 5,476,230</b>	<b>\$ 9,083,557</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	\$ (818,192)	\$ 435,206	\$ (2,938,517)	\$ (3,321,503)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	2,230,802	1,827,073	-	4,057,875
Changes in Assets and Liabilities:				
(Increase) Decrease in Due From Other Governments	(47,737)	103	9,030	(38,604)
Increase in Due From Other Funds	(152,246)	(260,547)	(744,339)	(1,157,132)
Increase in Due From Component Unit	-	(3,645)	-	(3,645)
Decrease in Accounts Receivable	28,135	245	-	28,380
Increase in Inventory	-	(29,100)	-	(29,100)
Decrease in Other Assets	-	-	23,232	23,232
Increase (Decrease) in Accounts Payable and Accrued Expenses	22,809	209,370	(2,449)	229,730
Increase (Decrease) in Due to Other Funds	22,318	17,110	(4,928)	34,500
Increase (Decrease) in Compensated Absences Payable	22,442	(472)	3,974	25,944
Increase in Claims Payable	-	-	2,073,049	2,073,049
<b>Total Adjustments</b>	<b>2,126,523</b>	<b>1,760,137</b>	<b>1,357,569</b>	<b>5,244,229</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 1,308,331</b>	<b>\$ 2,195,343</b>	<b>\$ (1,580,948)</b>	<b>\$ 1,922,726</b>

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2006**

	<b>Hotel Roanoke Conference Center Commission</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 2,157,473
Investments	1,976,880
Accrued Interest Receivable	27,169
Due from Other Governments	26,582
<b>Total Assets</b>	<b>\$ 4,188,104</b>
<b><u>Liabilities</u></b>	
Due to Other Governments	\$ 4,188,104
<b>Total Liabilities</b>	<b>\$ 4,188,104</b>

See Accompanying Independent Auditors' Report.



**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 639,620	\$ 4,795,060	\$ 3,277,207	\$ 2,157,473
Investments	3,466,099	2,000,000	3,489,219	1,976,880
Accrued Interest Receivable	35,102	27,169	35,102	27,169
Due from Other Governments	-	332,154	305,572	26,582
<b>Total Assets</b>	<b>\$ 4,140,821</b>	<b>\$ 7,154,383</b>	<b>\$ 7,107,100</b>	<b>\$ 4,188,104</b>
<b><u>Liabilities</u></b>				
Due to Other Governments	\$ 4,140,821	\$ 7,154,383	\$ 7,107,100	\$ 4,188,104
<b>Total Liabilities</b>	<b>\$ 4,140,821</b>	<b>\$ 7,154,383</b>	<b>\$ 7,107,100</b>	<b>\$ 4,188,104</b>

# STATISTICAL SECTION

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*This part of the City of Roanoke, Virginia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial condition.*

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	111
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	115
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
<b>Debt Capacity</b>	121
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Indicators</b>	124
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
<b>Operating Information</b>	126
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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**Table 1**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**NET ASSETS BY COMPONENT**  
**LAST FIVE FISCAL YEARS**

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 190,962,494	\$ 187,115,017	\$ 164,108,469	\$ 149,855,237	\$ 123,600,538
Restricted for:					
Capital Projects	205,752	276,133	215,691	51,846	305,790
Unrestricted	52,348,145	30,519,227	45,098,238	48,331,857	50,492,322
<b>Total Governmental Activities Net Assets</b>	<u><b>243,516,391</b></u>	<u><b>217,910,377</b></u>	<u><b>209,422,398</b></u>	<u><b>198,238,940</b></u>	<u><b>174,398,650</b></u>
<b>Business-Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 38,113,702	\$ 42,009,100	\$ 157,247,149	\$ 150,015,105	146,615,680
Unrestricted	11,034,165	4,909,789	21,240,298	19,409,253	23,441,496
<b>Total Business-Type Activities Net Assets</b>	<u><b>49,147,867</b></u>	<u><b>46,918,889</b></u>	<u><b>178,487,447</b></u>	<u><b>169,424,358</b></u>	<u><b>170,057,176</b></u>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 229,076,196	\$ 229,124,117	\$ 321,355,618	\$ 299,870,342	\$ 270,216,218
Restricted for:					
Capital Projects	205,752	276,133	215,691	51,846	305,790
Unrestricted	63,382,310	35,429,016	66,338,536	67,741,110	73,933,818
<b>Total Primary Government Net Assets</b>	<u><b>\$ 292,664,258</b></u>	<u><b>\$ 264,829,266</b></u>	<u><b>\$ 387,909,845</b></u>	<u><b>\$ 367,663,298</b></u>	<u><b>\$ 344,455,826</b></u>

Information is presented on a full accrual basis of accounting.

The City implemented GASB 34 in FY02. Information is presented beginning that fiscal year.

**Table 2**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**LAST FIVE FISCAL YEARS**

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 13,060,424	\$ 12,505,925	\$ 12,129,739	\$ 12,332,759	\$ 11,621,680
Judicial Administration	7,759,108	7,093,904	6,563,999	6,716,171	6,218,554
Public Safety	60,338,648	56,027,791	52,085,243	49,526,672	48,164,981
Public Works	25,396,344	25,413,778	27,619,650	27,024,931	26,669,142
Health and Welfare	36,851,200	35,063,221	31,985,929	28,920,553	27,757,901
Parks, Recreation and Cultural	10,671,914	9,269,834	6,063,700	5,360,979	5,298,641
Community Development	10,388,248	9,849,351	9,601,301	11,063,836	11,526,862
Education	57,899,575	54,737,434	51,458,092	49,368,594	47,048,622
Flood Reduction	-	-	-	-	121,138
Economic Development	3,046,343	7,175,953	1,160,036	5,248,229	8,447,969
Other	66,967	125,801	90,903	73,633	68,037
Interest and Fiscal Charges	11,588,440	11,652,145	8,598,701	9,404,874	8,600,684
Total Governmental Activities Expenses	<u>237,067,211</u>	<u>228,915,137</u>	<u>207,357,293</u>	<u>205,041,231</u>	<u>201,544,211</u>
Business-Type Activities:					
Transit Company	7,850,064	7,609,131	7,078,272	6,448,413	6,022,399
Water	-	-	11,101,776	13,683,991	10,932,612
Water Pollution Control	-	-	10,801,834	10,179,089	10,423,259
Civic Facilities	5,066,942	4,610,356	5,077,678	4,914,679	4,539,596
Parking	2,036,575	2,002,110	1,927,191	2,288,392	1,869,415
Market Building	368,090	506,894	492,795	151,438	-
Total Business-Type Activities Expenses	<u>15,321,671</u>	<u>14,728,491</u>	<u>36,479,546</u>	<u>37,666,002</u>	<u>33,787,281</u>
Total Primary Government Expenses	<u>252,388,882</u>	<u>243,643,628</u>	<u>243,836,839</u>	<u>242,707,233</u>	<u>235,331,492</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$ 3,234,836	\$ 3,038,133	\$ 6,839,246	\$ 3,899,448	\$ 3,642,814
Judicial Administration	5,132,780	5,334,458	2,131,060	1,824,615	1,635,114
Public Safety	5,086,196	4,768,397	5,191,798	7,354,677	7,665,701
Public Works	458,882	445,256	781,285	552,404	426,731
Health and Welfare	584,149	595,797	517,697	-	-
Parks, Recreation and Cultural	413,090	372,186	62,309	290,935	322,009
Community Development	170,493	131,038	151,933	136,396	84,674
Operating Grants and Contributions	59,245,639	56,208,537	51,329,015	47,692,239	46,513,642
Capital Grants and Contributions	102,934	239,246	736,337	2,126,873	939,828
Total Governmental Activities Program Revenues	<u>74,428,999</u>	<u>71,133,048</u>	<u>67,740,680</u>	<u>63,877,587</u>	<u>61,230,513</u>
Business-Type Activities:					
Charges for Services					
Transit Company	1,779,619	1,565,511	1,439,067	1,410,041	1,410,344
Water	-	-	13,383,297	11,671,313	11,312,614
Water Pollution Control	-	-	11,159,513	10,966,478	9,635,016
Civic Facilities	2,995,440	2,788,081	3,403,360	3,412,975	3,206,483
Parking	2,683,159	2,600,415	2,645,977	2,231,038	2,077,482
Market Building	277,886	308,366	256,015	134,868	-
Operating Grants and Contributions	3,395,701	3,252,566	2,843,449	2,611,895	2,302,111
Capital Grants and Contributions	1,357,967	1,010,893	4,698,459	644,069	3,162,952
Total Business-Type Activities Program Revenues	<u>12,489,772</u>	<u>11,525,832</u>	<u>39,829,137</u>	<u>33,082,677</u>	<u>33,107,002</u>
Total Primary Government Program Revenues	<u>86,918,771</u>	<u>82,658,880</u>	<u>107,569,817</u>	<u>96,960,264</u>	<u>94,337,515</u>
Net (Expense)/Revenue:					
Governmental Activities	(162,638,212)	(157,782,089)	(139,616,613)	(141,163,644)	(140,313,698)
Business-Type Activities	(2,831,899)	(3,202,659)	3,349,591	(4,583,325)	(680,279)
Total Primary Government Net Expense	<u><u>\$ (165,470,111)</u></u>	<u><u>\$ (160,984,748)</u></u>	<u><u>\$ (136,267,022)</u></u>	<u><u>\$ (145,746,969)</u></u>	<u><u>\$ (140,993,977)</u></u>

(continued)

**Table 2**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**LAST FIVE FISCAL YEARS**

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes					
General Property - Real Estate and Personal Property	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Local Portion of State Sales	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Business and Professional Occupational License	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility	13,234,488	13,857,552	13,823,643	13,749,522	13,097,155
Prepared Food and Beverage	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Commonwealth Share - Personal Property	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Other	9,143,443	8,873,379	9,950,558	8,078,842	8,475,408
State Aid Not Restricted to a Specific Program	7,776,432	-	-	76,454	-
Grants and Contributions Not Restricted to Specific Program	-	239,988	274,714	-	-
Interest and Investment Income	3,187,105	2,387,866	1,265,367	1,865,333	2,444,945
Miscellaneous	4,005,203	6,754,063	5,790,943	5,470,988	4,287,219
Special Item	(1,575,776)	-	-	-	-
Transfers	(3,062,423)	(2,882,183)	(4,892,800)	(3,013,537)	(3,090,557)
Transfers - Capital Assets	(1,726,651)	-	(161,275)	(289,220)	(4,563,583)
Total Governmental Activities	<u>174,424,956</u>	<u>161,762,038</u>	<u>150,800,071</u>	<u>144,976,424</u>	<u>137,687,043</u>
Business-Type Activities:					
Interest and Investment Income	163,638	92,195	224,589	276,000	454,764
Gain (Loss) on Sale of Assets	(293,213)	9,896	16,325	(10,653)	346,516
Miscellaneous	401,378	522,955	418,509	382,403	274,380
Transfers	3,062,423	2,882,183	4,892,800	3,013,537	3,090,557
Transfers - Capital Assets	1,726,651	-	161,275	289,220	4,563,583
Total Business-Type Activities	<u>5,060,877</u>	<u>3,507,229</u>	<u>5,713,498</u>	<u>3,950,507</u>	<u>8,729,800</u>
Total Primary Government	<u>\$ 179,485,833</u>	<u>\$ 165,269,267</u>	<u>\$ 156,513,569</u>	<u>\$ 148,926,931</u>	<u>\$ 146,416,843</u>
<b>Change in Net Assets</b>					
Governmental Activities	\$ 11,786,744	\$ 3,979,949	\$ 11,183,458	\$ 3,812,780	\$ (2,626,655)
Business-Type Activities	2,228,978	304,570	9,063,089	(632,818)	8,049,521
Total Primary Government	<u>\$ 14,015,722</u>	<u>\$ 4,284,519</u>	<u>\$ 20,246,547</u>	<u>\$ 3,179,962</u>	<u>\$ 5,422,866</u>

Information is presented on a full accrual basis of accounting.

The City implemented GASB 34 in FY02. Information is presented beginning that fiscal year.

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Table 3  
Unaudited

CITY OF ROANOKE, VIRGINIA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST FIVE FISCAL YEARS

	2005-06	2004-05	2003-04	2002-03	2001-02
General Property Tax	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Sales Tax	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Occupational License Tax	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility Consumer Tax	13,234,488	13,857,552	13,823,643	13,749,522	13,097,155
Prepared Food & Beverage Tax	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Commonwealth Share Personal Property Tax	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette Tax	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room Tax	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Other Taxes	9,143,443	8,873,379	9,950,558	8,078,842	8,475,408
<b>Total Governmental Activities Tax Revenues</b>	<b>\$ 165,821,066</b>	<b>\$ 155,262,304</b>	<b>\$ 148,523,122</b>	<b>\$ 140,866,406</b>	<b>\$ 138,609,019</b>

Information is presented on a full accrual basis of accounting.  
The City implemented GASB 34 in FY02. Information is presented beginning that fiscal year.

Table 4  
Unaudited

CITY OF ROANOKE, VIRGINIA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
General Fund										
Reserved	\$ 1,219,270	\$ 1,389,488	\$ 1,552,656	\$ 1,967,992	\$ 2,433,798	\$ 2,251,677	\$ 1,288,919	\$ 1,621,464	\$ 1,786,577	\$ 3,199,750
Unreserved	22,121,582	19,660,766	2,945,349	4,586,865	7,328,637	6,835,034	7,731,673	5,130,719	4,551,751	6,739,516
<b>Total General Fund</b>	<b>\$ 23,340,852</b>	<b>\$ 21,050,254</b>	<b>\$ 4,498,005</b>	<b>\$ 6,554,857</b>	<b>\$ 9,762,435</b>	<b>\$ 9,086,711</b>	<b>\$ 9,020,592</b>	<b>\$ 6,752,183</b>	<b>\$ 6,338,328</b>	<b>\$ 9,939,266</b>
All Other Governmental Funds										
Reserved	\$ 22,669,544	\$ 19,200,210	\$ 14,068,820	\$ 19,288,996	\$ 8,625,220	\$ 9,600,557	\$ 9,513,621	\$ 9,092,379	\$ 11,210,116	\$ 2,714,074
Unreserved, reported in:										
Debt Service Fund	1,063,737	988,465	15,061,934	14,436,613	14,289,750	13,130,315	13,134,073	11,498,954	11,336,503	9,148,331
Capital Projects Fund	37,744,826	39,994,304	37,069,596	42,487,398	63,225,262	27,621,016	37,547,046	22,028,333	30,085,756	32,199,420
<b>Total All Other Governmental Funds</b>	<b>\$ 61,478,107</b>	<b>\$ 60,182,979</b>	<b>\$ 66,200,350</b>	<b>\$ 76,213,007</b>	<b>\$ 86,140,232</b>	<b>\$ 50,351,888</b>	<b>\$ 60,194,740</b>	<b>\$ 42,619,666</b>	<b>\$ 52,632,375</b>	<b>\$ 44,061,825</b>

Information is presented on a modified accrual basis of accounting.



**Table 5**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>
<b>Revenues</b>					
Local Taxes	\$ 156,259,656	\$ 145,738,157	\$ 138,027,923	\$ 131,372,049	\$ 129,553,942
Permits, Fees and Licenses	1,469,016	1,275,026	1,026,606	909,669	1,076,603
Fines and Forfeitures	1,444,566	1,354,775	1,365,502	1,244,283	1,103,113
Rental Income	1,462,840	796,688	682,798	1,114,804	1,100,101
Investment Income	1,978,325	1,794,290	949,912	1,557,228	1,957,370
Intergovernmental	79,865,392	74,579,619	68,418,569	66,118,526	62,477,966
Charges for Services	11,142,081	11,237,776	11,544,955	6,657,533	6,073,913
Miscellaneous	2,543,147	820,779	1,369,767	502,712	997,855
<b>Total Revenues</b>	<b>\$ 256,165,023</b>	<b>\$ 237,597,110</b>	<b>\$ 223,386,032</b>	<b>\$ 209,476,804</b>	<b>\$ 204,340,863</b>
<b>Expenditures</b>					
Current Operating:					
General Government	\$ 12,203,711	\$ 11,551,500	\$ 11,731,138	\$ 11,638,167	\$ 11,544,730
Judicial Administration	7,347,752	6,736,070	6,355,497	6,237,314	6,032,743
Public Safety	58,154,272	53,777,319	50,733,282	45,540,774	45,685,277
Public Works	22,798,347	22,229,895	24,688,073	23,184,404	23,350,186
Health and Welfare	36,105,373	34,754,917	31,888,121	28,761,343	27,778,336
Parks, Recreation and Cultural	9,697,644	8,434,669	5,318,074	4,565,865	4,901,055
Community Development	9,701,539	9,066,266	8,859,741	8,733,633	7,829,899
Education	55,789,730	52,676,279	49,520,072	47,408,556	46,617,823
Other	10,824	125,801	90,903	73,633	68,037
Debt Service:					
Principal Retirement	17,140,653	14,785,327	11,543,107	12,283,145	9,166,242
Interest and Paying Agent Charges	11,270,985	10,084,588	8,541,638	9,863,967	7,677,659
Bond Issuance Cost	141,334	104,034	241,850	-	190,711
Capital Outlays	38,370,611	40,808,400	28,606,142	20,115,347	25,316,264
<b>Total Expenditures</b>	<b>\$ 278,732,775</b>	<b>\$ 265,135,065</b>	<b>\$ 238,117,638</b>	<b>\$ 218,406,148</b>	<b>\$ 216,158,962</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,567,752)	(27,537,955)	(14,731,606)	(8,929,344)	(11,818,099)
<b>Other financing sources (uses)</b>					
Proceeds of Long-Term Debt	31,708,923	37,662,856	4,595,399	800,000	51,083,499
Proceeds of Capital Lease	-	-	4,857,000	-	-
Proceeds from Sale of Refunding Bonds	10,631,826	-	66,040,000	-	-
Payment to Refunded Bond Escrow Agent	(10,705,136)	-	(68,189,271)	-	-
Premium on Sale of Bonds	463,855	1,460,022	2,971,027	-	652,873
Proceeds from Sale of Property	-	-	-	-	-
Transfers In	30,811,378	37,134,208	21,215,612	23,543,433	20,533,173
Transfers Out	(36,757,368)	(42,034,253)	(28,827,670)	(28,548,892)	(26,991,816)
<b>Total Other Financing Sources (Uses)</b>	<b>26,153,478</b>	<b>34,222,833</b>	<b>2,662,097</b>	<b>(4,205,459)</b>	<b>45,277,729</b>
<b>Net Change in Fund Balances</b>	<b>3,585,726</b>	<b>6,684,878</b>	<b>(12,069,509)</b>	<b>(13,134,803)</b>	<b>33,459,630</b>
Fund Balances--Beginning of Year	81,233,233	74,548,355	82,767,864	95,902,667	62,443,037
Residual Equity Transfer	-	-	-	-	-
<b>Fund Balances--End of Year</b>	<b>\$ 84,818,959</b>	<b>\$ 81,233,233</b>	<b>\$ 70,698,355</b>	<b>\$ 82,767,864</b>	<b>\$ 95,902,667</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>11.82%</b>	<b>11.09%</b>	<b>9.59%</b>	<b>11.17%</b>	<b>8.83%</b>

Information is presented on an modified accrual basis of accounting.  
The City implemented GASB 34 in FY02.

**Table 5**  
**Unaudited**

<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>	<b>1997-98</b>	<b>1996-97</b>
\$ 126,439,432	\$ 123,243,130	\$ 119,781,374	\$ 116,234,080	\$ 113,654,246
840,520	827,219	750,752	722,222	680,100
818,982	923,556	904,067	943,559	990,906
1,058,017	1,183,210	974,878	-	-
3,055,575	3,089,906	1,909,808	3,571,102	3,052,752
57,740,932	55,511,103	51,226,271	43,830,881	41,937,569
5,709,059	5,599,880	5,551,911	5,369,683	5,008,863
499,178	1,338,948	360,518	427,537	898,463
<u>\$ 196,161,695</u>	<u>\$ 191,716,952</u>	<u>\$ 181,459,579</u>	<u>\$ 171,099,064</u>	<u>\$ 166,222,899</u>
\$ 11,670,266	\$ 11,088,959	\$ 11,105,929	\$ 10,448,955	\$ 10,011,252
5,795,665	4,705,624	4,511,363	4,404,503	4,165,581
44,872,640	44,174,881	39,721,295	37,976,935	36,316,123
22,894,595	21,980,873	24,161,473	25,153,556	22,428,196
25,892,008	26,601,801	26,135,820	22,834,367	21,868,090
4,668,202	4,476,440	4,295,531	4,263,106	3,925,617
7,524,103	7,063,935	5,691,094	5,684,448	4,597,726
-	-	-	-	-
13,075	19,402	6,932	36,044	35,537
5,978,148	4,866,973	5,244,356	3,678,403	3,662,433
4,940,122	4,334,675	4,137,451	3,413,229	4,217,720
-	158,694	-	94,482	-
20,979,518	21,197,468	22,293,305	10,276,280	5,665,585
<u>\$ 155,228,342</u>	<u>\$ 150,669,725</u>	<u>\$ 147,304,549</u>	<u>\$ 128,264,308</u>	<u>\$ 116,893,860</u>
40,933,353	41,047,227	34,155,030	42,834,756	49,329,039
-	27,038,000	-	8,469,000	-
700,000	-	2,544,154	-	-
-	-	-	17,493,259	-
-	-	-	(17,613,377)	-
-	309,115	-	363,885	-
125,100	84,577	1,050,241	-	-
17,905,736	17,631,660	15,439,193	14,150,661	10,966,032
(69,440,932)	(66,267,096)	(62,787,472)	(61,050,091)	(58,450,607)
<u>(50,710,096)</u>	<u>(21,203,744)</u>	<u>(43,753,884)</u>	<u>(38,186,663)</u>	<u>(47,484,575)</u>
(9,776,743)	19,843,483	(9,598,854)	4,648,093	1,844,464
69,215,332	49,371,849	58,970,703	54,001,091	54,565,321
-	-	-	321,519	(2,408,694)
<u>\$ 59,438,589</u>	<u>\$ 69,215,332</u>	<u>\$ 49,371,849</u>	<u>\$ 58,970,703</u>	<u>\$ 54,001,091</u>
8.13%	7.11%	7.50%	6.01%	7.08%

Table 6  
Unaudited

CITY OF ROANOKE, VIRGINIA  
LOCAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
General Property Tax (1)	\$ 86,447,295	\$ 81,199,730	\$ 75,346,292	\$ 71,849,116	\$ 69,908,899	\$ 67,776,339	\$ 67,491,996	\$ 66,635,642	\$ 65,673,171	\$ 64,087,188
Sales Tax	20,637,376	19,663,577	19,225,559	17,466,450	17,489,436	17,676,762	17,607,676	17,176,569	15,915,189	15,840,892
Utility Consumer Tax	13,234,488	13,349,039	13,321,752	13,248,053	13,097,155	12,633,933	11,719,741	11,088,016	11,046,862	10,568,373
Cigarette Tax	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988	1,403,614	1,292,622	1,322,808	1,430,004	1,545,214
Recordation and Probate Tax	1,314,804	1,116,447	835,561	734,345	621,691	558,348	538,776	557,276	525,860	437,895
Business, Professional, and Occupational License Tax	12,893,280	11,843,734	11,330,195	11,086,185	11,288,675	11,444,528	10,537,473	10,080,975	9,638,581	9,571,621
Transient Room Tax	2,529,645	2,250,249	2,232,754	2,101,878	2,045,875	1,761,393	1,676,143	1,463,519	1,412,811	1,344,820
Admissions Tax	456,048	448,312	530,712	504,298	400,211	355,570	242,194	256,072	278,081	262,018
Telephone Surcharge - E911 Tax	1,431,406	1,603,863	1,340,847	1,180,840	1,137,606	1,166,368	1,154,101	1,090,634	942,525	696,851
Motor Vehicle License Tax	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599	1,770,243	1,712,232	1,739,085	1,692,957	1,714,153
Franchise Tax	1,456,085	1,500,624	1,554,297	1,491,601	1,657,992	1,560,424	1,265,285	969,099	913,210	807,031
Prepared Food and Beverage Tax	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162	6,776,531	6,546,125	6,138,177	5,975,419	5,827,569
Bank Stock Tax	1,306,496	1,115,867	986,613	807,267	1,016,653	1,555,379	1,458,766	1,263,502	789,410	950,621
<b>Total Local Taxes</b>	<b>\$ 156,259,656</b>	<b>\$ 145,738,157</b>	<b>\$ 138,027,923</b>	<b>\$ 131,372,049</b>	<b>\$ 129,553,942</b>	<b>\$ 126,439,432</b>	<b>\$ 123,243,130</b>	<b>\$ 119,781,374</b>	<b>\$ 116,234,080</b>	<b>\$ 113,654,246</b>

(1) In fiscal year 1999, the State began the Personal Property Tax Relief act. The state share of personal property is classified as intergovernmental.

Table 7  
Unaudited

CITY OF ROANOKE, VIRGINIA  
GENERAL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
<b>Total Tax Levies</b>	<b>\$ 94,754,245</b>	<b>\$ 88,719,548</b>	<b>\$ 82,947,318</b>	<b>\$ 78,984,813</b>	<b>\$ 76,830,266</b>	<b>\$ 76,063,428</b>	<b>\$ 73,493,399</b>	<b>\$ 70,159,067</b>	<b>\$ 66,827,109</b>	<b>\$ 66,282,390</b>
Current Tax Collections	83,902,929	78,489,950	72,835,920	68,960,191	67,253,815	65,058,343	63,220,814	64,323,520	63,697,526	62,066,495
Current Tax Collections - State Share (1)	7,789,896	8,147,634	7,551,379	7,920,717	7,634,673	7,718,287	4,967,361	2,988,231	-	-
Delinquent Tax Collections	2,544,365	2,709,780	2,510,372	2,888,925	2,655,084	2,717,996	2,271,182	2,312,122	1,975,645	2,020,693
Delinquent Tax Collections - State Share (1)	172,172	178,186	138,153	123,180	140,426	44,729	17,329	-	-	-
<b>Total Tax Collections</b>	<b>\$ 94,409,362</b>	<b>\$ 89,525,550</b>	<b>\$ 83,035,824</b>	<b>\$ 79,893,013</b>	<b>\$ 77,683,998</b>	<b>\$ 75,539,355</b>	<b>\$ 72,476,686</b>	<b>\$ 69,623,873</b>	<b>\$ 65,673,171</b>	<b>\$ 64,087,188</b>
<b>Current Tax Collections As Percent of Levies</b>	<b>96.77%</b>	<b>97.65%</b>	<b>96.91%</b>	<b>97.34%</b>	<b>97.47%</b>	<b>95.68%</b>	<b>95.50%</b>	<b>95.94%</b>	<b>95.32%</b>	<b>93.64%</b>
<b>Total Tax Collections As Percent of Levies</b>	<b>99.64%</b>	<b>100.91%</b>	<b>100.11%</b>	<b>101.15%</b>	<b>101.11%</b>	<b>99.31%</b>	<b>98.62%</b>	<b>99.24%</b>	<b>98.27%</b>	<b>96.69%</b>

(1) In fiscal year 1999, the State began the Personal Property Tax Relief Act. The state share of personal property is classified as intergovernmental.

(2) Total tax collections as percent of levies may be greater than 100% due to delinquent tax collections in a given fiscal year for prior fiscal year levies.

Table 8  
Unaudited

CITY OF ROANOKE, VIRGINIA  
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Assessed Value
	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	
1997	\$ 3,242,372,927	-	\$ 3,242,372,927	1.00	\$ 630,035,420	-	\$ 1,050,059,033	0.60	\$ 266,770,541	-	\$ 288,089,137	0.926	\$ 4,139,178,888
1998	3,363,258,137	3.73%	3,363,258,137	1.00	634,338,609	0.68%	1,057,231,015	0.60	262,233,463	(1.70%)	276,326,094	0.949	4,259,830,209
1999	3,569,735,816	6.14%	3,569,735,816	1.00	664,808,637	4.80%	1,108,014,395	0.60	277,115,700	5.68%	295,432,516	0.938	4,511,660,153
2000	3,710,187,437	3.93%	3,710,187,437	1.00	715,763,594	7.66%	1,192,939,323	0.60	304,500,512	9.88%	320,864,607	0.949	4,730,451,543
2001	3,843,131,277	3.58%	3,843,131,277	1.00	737,575,710	3.05%	1,229,292,850	0.60	339,256,291	11.41%	359,762,769	0.943	4,919,963,278
2002	4,053,218,187	5.47%	4,053,218,187	1.00	688,540,754	(6.65%)	1,147,567,923	0.60	331,442,235	(2.30%)	345,950,183	0.958	5,073,201,176
2003	4,251,342,652	4.89%	4,251,342,652	1.00	685,231,130	(0.48%)	1,142,051,883	0.60	320,712,924	(3.24%)	328,933,905	0.975	5,257,286,706
2004	4,558,900,600	7.23%	4,558,900,600	1.00	675,390,754	(1.44%)	1,125,651,256	0.60	372,880,650	16.27%	378,299,578	0.986	5,607,172,004
2005	4,912,403,589	7.75%	4,912,403,589	1.00	731,086,348	8.25%	1,218,477,246	0.60	333,486,044	(10.56%)	338,499,005	0.985	5,976,975,981
2006	5,351,633,570	8.94%	5,351,633,570	1.00	762,403,478	4.28%	1,270,672,463	0.60	303,859,616	(8.88%)	308,722,893	0.984	6,417,896,664

Table 9  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PROPERTY TAX RATES AND TAX LEVIES  
LAST TEN YEARS

Year	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC SERVICE CORPORATIONS		Total Tax Levies
	Tax Rate Per \$100	Levy	Tax Rate Per \$100	Levy	Tax Rate Per \$100	Levy	
1997	1.23	\$ 41,199,303	3.45	\$ 21,736,222	1.23	\$ 3,346,865	\$ 66,282,390
1998	1.225 (1)	41,678,450	3.45	21,884,682	1.225 (1)	3,263,977	66,827,109
1999	1.22	43,821,177	3.45	22,935,898 (3)	1.22	3,401,992	70,159,067
2000	1.215 (2)	45,092,511	3.45	24,693,844 (3)	1.215 (2)	3,707,044	73,493,399
2001	1.21	46,502,137	3.45	25,446,362 (3)	1.21	4,114,929	76,063,428
2002	1.21	49,043,478	3.45	23,754,656 (3)	1.21	4,032,132	76,830,266
2003	1.21	51,440,874	3.45	23,640,474 (3)	1.21	3,903,465	78,984,813
2004	1.21	55,162,380	3.45	23,300,981 (3)	1.21	4,483,957	82,947,318
2005	1.21	59,439,602	3.45	25,222,479 (3)	1.21	4,057,467	88,719,548
2006	1.21	64,754,545	3.45	26,302,920 (3)	1.21	3,696,780	94,754,245

- (1) The tax rate was \$1.23 from July 1, 1997 to December 31, 1997. Effective January 1, 1998, the rate became \$1.22.  
(2) The tax rate was \$1.22 from July 1, 1999 to December 31, 1999. Effective January 1, 2000, the rate became \$1.21.  
(3) In fiscal year 1999, the State initiated the Personal Property Tax Relief Act. The levy includes the state portion.

Table 10  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PRINCIPAL PROPERTY TAXPAYERS  
COMPARISON OF JUNE 30, 2006 AND JUNE 30, 1997

Taxpayer	Description	2006			1997		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
American Electric Power	Public Utility	\$ 87,968,378	1	1.37%	\$ 72,904,066	2	1.71%
Norfolk Southern Railway	Transportation	76,754,245	2	1.20%	70,376,168	3	1.65%
Verizon Virginia, Inc.	Communications	76,710,940	3	1.20%	90,595,401	1	2.13%
Carilion Healthcare	Healthcare Provider	74,978,128	4	1.17%	-	-	-
Valley View Mall LLC	Shopping Mall	58,558,242	5	0.91%	11,696,938	10	0.28%
Faison Roanoke Office	Office Building	28,016,400	6	0.44%	25,200,000	5	0.59%
Roanoke Gas Company	Public Utility	27,297,611	7	0.43%	-	-	-
Maple Leaf Bakery	Bakery	22,730,326	8	0.35%	-	-	-
Times-World Corp.	Newspaper	21,999,571	9	0.34%	-	-	-
Roanoke Electric Steel	Primary Metals	19,536,944	10	0.30%	28,957,142	4	0.68%
Hotel Roanoke	Hotel	-	-	-	21,137,202	6	0.50%
Carter Associates	Motel	-	-	-	19,266,309	7	0.45%
Elizabeth Arden	Cosmetics Manufacturer	-	-	-	17,665,741	8	0.42%
Coca Cola Bottling	Bottling Plant	-	-	-	14,256,401	9	0.34%
		<b>\$ 494,550,785</b>		<b>7.71%</b>	<b>\$ 372,055,368</b>		<b>8.75%</b>

Source: City of Roanoke, Commissioner of the Revenue

Table 11  
Unaudited

CITY OF ROANOKE, VIRGINIA  
TAXABLE RETAIL SALES  
LAST TEN CALENDAR YEARS

Calendar Year	Total Retail Sales (1)
1997 .....	\$ 1,430,719,230
1998 .....	1,485,135,075
1999 .....	1,563,514,749
2000 .....	1,595,600,205
2001 .....	1,578,043,491
2002 .....	1,588,424,788
2003 .....	1,621,479,275
2004 .....	1,712,570,484
2005 .....	1,599,236,967
2006 through June. ....	918,744,627

(1) Source: State Department of Taxation. Data excludes prescription drug sales.

Table 12  
Unaudited

**CITY OF ROANOKE, VIRGINIA**  
**RATIO OF GENERAL BONDED DEBT TO**  
**TOTAL ASSESSED VALUE AND BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population (A)	Total Assessed Value	Gross Bonded Debt	Bonds Supported by Enterprise Funds (D)	Bonds Supported By Western Virginia Water Authority	Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997	94,931	4,139,178,888	146,159,015	46,725,000	-	9,148,331	90,285,684	2.18%	951.07
1998	93,797	4,259,830,209	157,555,231	44,806,346	-	11,336,503	101,412,382	2.38%	1,081.19
1999	93,357	4,511,660,153	157,175,592	43,175,028	-	11,498,954	102,501,610	2.27%	1,097.95
2000	94,911 (B)	4,730,451,543	193,100,761	41,118,710	-	13,134,073	138,847,978	2.94%	1,462.93
2001	95,000	4,919,963,278	191,284,376	39,027,391	-	13,130,315	139,126,670	2.83%	1,464.49
2002	94,600	5,073,201,176	242,386,235	47,001,072	-	14,289,750	181,095,413	3.57%	1,914.33
2003	93,100	5,257,286,706	228,050,952	44,517,751	-	14,436,613	169,096,588	3.22%	1,816.29
2004	92,900	5,607,172,004	223,671,734	41,504,678	-	15,061,934	167,105,122	2.98%	1,798.76
2005	93,600 (est.)	5,976,975,981	256,369,208	7,818,130	33,435,000	988,465 (C)	214,127,613	3.58%	2,287.69
2006	93,600 (est.)	6,417,896,664	281,821,457	9,863,867	31,315,992	1,063,737	239,577,861	3.73%	2,559.59

Source - (A) Weldon - Cooper Center for Public Service

(B) U.S. Census

(C) In FY05, there was a \$15.5 million transfer of fund balance from the Debt Service Fund to establish a Budget Stabilization Revenue.

(D) FY04 through FY06 figures exclude Civic Facilities outstanding balances.

Table 13  
Unaudited

**CITY OF ROANOKE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
1996-97	\$ 104,909,016	\$ -	\$ 46,725,000	\$ 3,829,924	\$ 155,463,940	7.17%	\$ 1,638
1997-98	118,028,885	-	46,822,715	3,739,200	168,590,800	7.29%	1,797
1998-99	116,749,645	2,320,919	45,057,715	3,637,601	167,765,880	7.02%	1,797
1999-00	154,859,634	1,972,417	42,867,715	3,530,282	203,230,048	9.47%	2,141
2000-01	153,025,838	3,846,141	40,642,715	3,417,302	200,931,996	8.98%	2,115
2001-02	195,385,569	4,364,593	48,482,715	3,293,723	251,526,600	10.50%	2,659
2002-03	184,429,342	3,208,859	45,865,711	3,164,721	236,668,633	9.58%	2,542
2003-04	182,118,717	6,797,976	45,865,218	-	234,781,911	9.46%	2,527
2004-05	241,280,405 (2)	5,648,433	17,876,626 (2)	-	264,805,464	9.91%	2,714
2005-06	258,928,015	4,558,931	26,096,945	-	289,583,891	10.84%	3,094

(1) See Table 17 for personal income and population data.

(2) The Western Virginia Water Authority was created in FY04, resulting in associated bonds moving from business-type activities to governmental activities.

Table 14  
Unaudited

**CITY OF ROANOKE**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
Debt Limit	\$ 535,163,357	\$ 491,240,359	\$ 455,890,060	\$ 426,377,702	\$ 409,353,757	\$ 384,313,128	\$ 371,018,744	\$ 356,973,582	\$ 336,325,814	\$ 336,325,814
Total Net Debt Applicable to Limit	239,565,221	214,127,613	171,889,360	169,096,588	181,095,412	140,928,648	138,847,978	102,501,610	101,412,382	90,285,685
Legal Debt Margin	295,598,136	277,112,746	284,000,700	257,281,114	228,258,345	243,384,480	232,170,766	254,471,972	234,913,432	246,040,129
Total Net Debt										
Applicable to Limit as a Percentage of Debt Limit	44.76%	43.59%	37.70%	39.66%	44.24%	36.67%	37.42%	28.71%	30.15%	26.84%

**Table 15**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2006**

The Charter of the City of Roanoke limits the Legal Debt to 10% of the Assessed Valuation of Real Estate within the City limits. The City has no overlapping debt.

Assessed Value of Real Estate, 2006		<u>\$ 5,351,633,570</u>
Legal Debt Limit, 10% of \$5,435,263,085		535,163,357
Debt applicable to limitation:		
Total Bonded Debt	\$ 281,808,817	
Less: Available in Debt Service Fund	(1,063,737)	
Enterprise Fund Supported Debt	(9,863,867)	
Western Virginia Water Authority Supported Debt	(31,315,992)	239,565,221
<b>Legal Debt Margin</b>		<u><b>\$ 295,598,136</b></u>

**Table 16**  
**Unaudited**

**CITY OF ROANOKE**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL LONG-TERM DEBT TO TOTAL GENERAL EXPENDITURES**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures (1)</b>	<b>Percent of Debt Service to General Expenditures</b>
1996-97	\$ 5,724,267	\$ 5,392,490	\$ 11,116,757	\$ 192,556,708	5.77%
1997-98	5,518,537	4,597,158	10,115,695	204,580,854	4.94%
1998-99	7,344,656	5,757,820	13,102,476	213,135,162	6.15%
1999-00	7,201,334	6,330,514	13,531,848	223,621,661	6.05%
2000-01	9,155,832	7,457,895	16,613,727	231,372,360	7.18%
2001-02	8,916,243	7,361,801	16,278,044	246,048,365	6.62%
2002-03	12,083,145	9,681,287	21,764,432	252,841,855	8.61%
2003-04	11,255,346	7,882,228	19,137,574	268,406,972	7.13%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.09%
2005-06 (2)	14,765,894	9,357,973	24,123,867	298,166,075	8.09%

(1) Includes expenditures of the General Funds of the City and School Board less the transfer from the General Fund to the School Board.

(2) Excludes Bond Anticipation Note of \$5,000,000 which was both issued and repaid during fiscal year 2006.



**Table 17**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Personal Income</b>	<b>School Enrollment (3)</b>	<b>Local Unemployment Rate (4)</b>	<b>National Unemployment Rate (5)</b>
1996-97	94,931	\$ 22,825	\$ 2,166,800,075	13,215	3.6%	4.7%
1997-98	93,797	24,653	2,312,377,441	13,231	2.7%	4.7%
1998-99	93,357	25,600	2,389,939,200	13,200	2.6%	4.2%
1999-00	94,911 (6)	22,608 (est.)	2,145,747,888	13,175	2.2%	4.0%
2000-01	95,000	23,564 (est.)	2,238,580,000	13,251	3.6%	4.8%
2001-02	94,600	25,319 (est.)	2,395,177,400	13,263	3.4%	4.8%
2002-03	93,100	26,535 (est.)	2,470,408,500	13,004	3.8%	6.3%
2003-04	92,900	26,724 (est.)	2,482,659,600	12,861	3.0%	5.8%
2004-05	93,600 (est.)	27,384 (est.)	2,563,142,400	12,712	3.7%	5.2%
2005-06	93,600 (est.)	28,550 (est.)	2,672,280,000	12,587	3.9%	4.8%

(1) Source: Weldon - Cooper Center for Public Service

(2) Source: Bureau of Economic Analysis

(3) Source: Roanoke City School Board

(4) Source: Virginia Employment Commission (Roanoke Metropolitan Statistical Area)

(5) Source: Bureau of Labor Statistics and Virginia Employment Commission

(6) Source: U.S. Census

**Table 18**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**CONSTRUCTION STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>COMMERCIAL CONSTRUCTION (1)</b>		<b>RESIDENTIAL CONSTRUCTION (1)</b>	
	<b>Number of Permits</b>	<b>Value</b>	<b>Number of Permits</b>	<b>Value</b>
1996-97	580	\$ 42,373,274	1,678	\$ 18,729,936
1997-98	569	49,600,839	1,652	28,920,020
1998-99	567	56,706,299	1,543	24,952,546
1999-00	575	89,654,863	1,363	31,155,220
2000-01	572	57,716,867	988	45,045,159
2001-02	499	64,101,308	875	36,855,003
2002-03	437	60,291,138	730	21,844,483
2003-04	871	57,922,598	303	17,995,045
2004-05	497	143,755,330	610	23,936,990
2005-06	512	193,157,052	673	30,206,738

(1) Source: City of Roanoke, Department of Planning, Building and Development

**Table 19**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**PRINCIPAL EMPLOYERS**  
**COMPARISON OF JUNE 30, 2006 AND JUNE 30, 1997**

<b>Employer</b>	<b>2006</b>			<b>1997</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total MSA Employment (1)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total MSA Employment (1)</b>
Carilion Health System	9,724	1	9.32%	7,600	1	7.08%
Roanoke City Schools	2,580	2	2.47%	2,168	4	2.02%
Roanoke County Schools	2,340	3	2.24%	1,900	8	1.77%
Advance Auto Parts	1,940	4	1.86%	-	-	-
Wachovia Corporation	1,868	5	1.79%	1,835	9	1.71%
City of Roanoke	1,687	6	2.08%	2,003	5	1.87%
Kroger Mid-Atlantic	1,610	7	1.54%	1,974	7	1.84%
Lewis-Gale Medical Center	1,498	8	1.44%	2,385	3	2.22%
Veterans Administration Medical Center	1,460	9	1.40%	1,600	10	1.49%
Allstate Insurance Company	1,427	10	1.37%	-	-	-
Norfolk Southern Corporation	-	-	-	2,700	2	2.52%
General Electric	-	-	-	2,000	6	1.86%

(1) Refers to the Roanoke Metropolitan Statistical Area

Source: Virginia Employment Commission

**CITY OF ROANOKE, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST EIGHT CALENDAR YEARS**

Function:	Full-time Equivalent Employees as of December 31							
	2005	2004	2003	2002	2001	2000	1999	1998
General Government	144	147	151	159	160	155	158	151
Judicial Administration:								
Sheriff	31	31	31	31	32	32	32	32
Other	54	53	52	50	49	52	51	51
Public Safety:								
Police	304	286	289	283	283	274	272	291
Jail	173	175	173	170	169	174	164	168
Fire	264	266	268	262	274	276	270	281
Other	79	82	84	82	89	84	92	97
Public Works:								
Engineering	20	21	21	21	22	21	22	24
Maintenance	85	97	98	95	101	79	71	71
Transportation	137	143	147	146	146	149	157	161
Other	1	2	3	3	5	4	5	6
Health and Welfare	217	209	208	211	220	214	210	209
Parks, Recreation and Cultural	102	102	105	103	107	127	140	144
Community Development	41	35	42	34	40	38	25	22
Civic Facilities	35	37	31	31	31	28	27	25
Water	-	-	(1)	107	106	109	114	117
Water Pollution Control	-	(1)	43	51	53	51	53	53
<b>Total</b>	<b>1,687</b>	<b>1,686</b>	<b>1,852</b>	<b>1,839</b>	<b>1,887</b>	<b>1,867</b>	<b>1,863</b>	<b>1,903</b>

(1) In FY04, the Western Virginia Water Authority was formed by the City and County of Roanoke.

Source: City of Roanoke, Department of Finance

Table 21  
Unaudited

CITY OF ROANOKE, VIRGINIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
General Government										
Dollar value of taxes administered	\$ 28,107,555	\$ 25,299,132	\$ 25,299,132	\$ 26,030,662	N/A	N/A	N/A	N/A	N/A	N/A
Number of business licenses issued	7,200	6,900	7,200	6,900	7,800	7,800	7,589	6,991	6,711	7,343
Number of property & building permit appraisals	5,000	5,352	5,760	4,836	47,000	47,000	46,750	46,750	46,141	44,671
Police										
Number of traffic summons	8,766	7,396	9,714	16,966	19,291	15,974	15,974	15,646	19,485	19,829
Number of assistance call responses	89,176	88,991	83,862	86,146	84,983	80,380	90,380	79,322	82,995	84,598
Number of hours of training conducted	62,500	62,000	55,906	48,549	N/A	N/A	N/A	N/A	N/A	18,909
Fire										
Number of emergency call responses	22,203	22,579	21,139	19,956	20,060	17,594	17,594	18,000	16,500	15,000
Highways and Streets										
Number of lane miles resurfaced	57	57	49	49	57	57	59	67	57	60
Number of street lights added	90	60	120	48	120	120	120	120	120	100
Judicial Administration										
Number of criminal cases	13,103	12,500	12,643	11,222	11,508	11,288	10,960	10,533	12,418	14,065
Number of traffic cases	28,544	29,500	25,930	22,978	26,812	26,301	11,288	22,668	25,832	28,671
Number of civil cases	37,587	33,000	32,054	28,405	29,000	28,424	11,508	26,886	29,527	30,919
Parks & Recreation										
Number of participants served	231,000	213,900	195,000	151,076	129,750	126,250	123,786	107,514	122,730	44,000
Education										
Number of instructional personnel	1,157	1,096	1,142	1,118	1,060	1,043	1,124	1,112	1,099	1,093
Number of students	12,587	12,712	12,861	13,004	13,263	13,251	13,175	13,200	13,231	13,215
Libraries										
Number of volumes	378,734	374,453	345,856	331,828	347,848	337,450	337,450	343,929	335,851	336,560
Number of audio materials	13,481	13,516	12,844	12,434	11,631	10,149	10,149	8,270	7,204	7,664
Number of video materials	12,078	10,692	9,742	9,055	8,414	7,766	7,766	6,251	5,272	4,221
Number of annual library visits	375,000	434,170	328,228	426,704	309,500	305,000	266,727	300,678	310,035	340,150
Economic Development										
Businesses contacted for personal visits	200	100	150	250	100	723	320	623	296	300
Housing and Neighborhood Services										
Total housing units	45,978	46,388	45,051	44,846	44,566	44,126	44,126	43,842	45,105	44,653
Average assessed value of single-family housing units	\$ 124,709	\$ 109,819	\$ 100,707	\$ 93,229	\$ 86,404	\$ 82,719	\$ 82,719	\$ 76,422	\$ 73,585	\$ 70,379

Sources: Various City of Roanoke departments

Table 22  
Unaudited

CITY OF ROANOKE, VIRGINIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
Police										
Number of vehicular units	142	156	137	122	126	123	123	124	124	129
Fire										
Number of stations	13	13	13	13	13	14	14	14	14	14
Number of fire trucks	23	25	25	24	24	23	29	29	29	27
Highways and Streets										
Miles of streets (lane miles)	997	997	995	995	995	992	992	991	984	974
Number of street lights	9,800	9,758	9,710	9,566	9,509	9,458	9,458	9,259	9,108	9,048
Parks and Recreation										
Parks, plazas and recreation sites	71	71	71	71	71	71	71	68	68	68
Playgrounds/play areas	39	39	39	39	39	38	38	39	39	39
Football/soccer fields	21	21	21	21	21	21	21	19	19	19
Baseball/softball fields	32	32	32	32	32	30	33	36	36	36
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	8	8	8	8	8	8	8	8	8	8
Education										
Elementary schools	21	21	21	21	21	21	21	21	21	21
Middle schools	6	6	6	6	6	6	6	6	6	6
High schools	2	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	6	7	7	7	7	7
Bookmobile	1	1	1	1	1	1	1	1	1	1

## ***COMPLIANCE SECTION***

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**CITY OF ROANOKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Agriculture</u></b>			
Direct Programs:			
Summer Food Service Program for Children 04-05	02-51-587545	10.559	\$ 145,714
Passed Through Commonwealth of Virginia			
Department of Agriculture:			
Food Distribution - Commodities (1)	-	10.555	5,493
National School Lunch Program - Commodities (1)	-	10.555	306,392
			<u>311,885</u>
Passed Through Commonwealth of Virginia			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	-	10.561	1,446,813
Passed Through Commonwealth of Virginia			
Department of Youth and Family Services:			
School Breakfast Program	-	10.553	15,558
Passed Through Commonwealth of Virginia			
Department of Education:			
National School Lunch Program (2)	-	10.555	5,274,335
Passed Through Commonwealth of Virginia			
Department of Forestry:			
Urban and Community Forestry FY06	05UCF23	10.675	19,428
			<u>7,213,733</u>
<b><u>Department of Defense</u></b>			
Direct Programs:			
Selected Reserve Educational Assistance Program (ROTC) (2)	-	12.609	85,847
<b><u>Department of Housing and Urban Development</u></b>			
Direct Programs:			
Community Development Block Grant (3)	B-01-MC-51-0020	14.218	42,905
Community Development Block Grant (3)	B-02-MC-51-0020	14.218	553,691
Community Development Block Grant (3)	B-03-MC-51-0020	14.218	479,792
Community Development Block Grant (3)	B-04-MC-51-0020	14.218	606,268
Community Development Block Grant (3)	B-05-MC-51-0020	14.218	1,432,110
			<u>3,114,766</u>
Emergency Shelter Grant (4)	S-04-MC-51-0006	14.231	3,983
Emergency Shelter Grant (4)	S-04-MC-51-0006	14.231	75,912
			<u>79,895</u>

**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b>Direct Programs</b>			
Department of Housing and Urban Development (continued):			
Supportive Housing Program	VA36B202001	14.235	\$ 85,659
Supportive Housing Program 2006	VA36B502001	14.235	63,836
			<u>149,495</u>
Shelter Plus Care (5)	VA36C950134	14.238	77,138
HOME Investment in Affordable Housing 04 (6)	M-03-MC-51-0206	14.239	105,617
HOME Investment in Affordable Housing 05 (6)	M-04-MC-51-0206	14.239	638,025
HOME Investment in Affordable Housing 06 (6)	M-05-MC-51-0206	14.239	57,662
HOME Program Income (6)	-	14.239	101,463
			<u>902,767</u>
Lead Hazard Control	VALHBO255-03	14.900	442,683
			<u>4,766,744</u>
<b><u>Department of Justice</u></b>			
Direct Programs:			
Federal Forfeiture Program	-	16.xxx	270,310
Local Law Enforcement Block Grant 03-05	2003-LB-BX-0500	16.592	29,665
Local Law Enforcement Block Grant 04-06	2004-LB-BX-0308	16.592	58,059
Local Law Enforcement Block Grant 05-07	2005-DJ-BX-0886	16.592	4,517
			<u>92,241</u>
Bulletproof Vests FY05	CFDA-16-607	16.607	26,639
			<u>389,190</u>
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services:			
Juvenile Accountability One Time Special Incentive FY05	05-A4554JB01	16.523	646
Juvenile Accountability Incentive Block Grant FY05	05-F3221JB04	16.523	26,852
Juvenile Accountability Incentive Block Grant FY06	06-F3221JB05	16.523	25,969
			<u>53,467</u>
Juvenile Justice and Minority CY06	06-A5112JJ04	16.540	3,226
Victim Witness Assistance FY06	03-18554VW02	16.575	118,419
Records System Improvement FY05	05-A4486CR03	16.579	62,029
Edward Byrne Memorial FY06 (Analysis)	06-A4779AD05	16.580	32,288
Police Domestic Violence Unit CY05	05-F3153BA04	16.588	19,145
Police Domestic Violence Unit CY06	06-F3153BA05	16.588	19,919
			<u>39,064</u>



**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services (continued):			
Project Safe Neighborhood	WDVA-2004GPCX0580-009	16.609	\$ 91,799
Buffer Zone Protection Program		97.078	99,905
			<u>500,197</u>
			<u>889,387</u>
<b><u>Department of Labor</u></b>			
Passed Through Commonwealth of Virginia			
Virginia Employment Commission:			
Workforce Investment Act FY05	LWA3-04-04	17.255	566,514
Workforce Investment Act FY06	LWA3-05-05	17.255	806,229
			<u>1,372,743</u>
<b><u>Department of Transportation</u></b>			
Direct Programs:			
FY02 FTA Capital Assistance	VA-90-X213-00	20.507	291,600
FY03 FTA Capital Assistance	VA-90-X226-00	20.507	362,481
FY03 FTA Operating Assistance	VA-90-X221-00	20.507	19,946
FY04 FTA Capital Assistance	VA-90-X244-00	20.507	452,162
FY04 FTA Capital Assistance	VA-03-0092-00	20.507	34,214
FY05 FTA Operating Assistance	VA-90-X253-00	20.507	50,610
FY06 FTA Operating Assistance	VA-90-X267-00	20.507	1,893,400
FY06 FTA Capital Assistance	VA-90-X272-00	20.507	176,644
			<u>3,281,057</u>
Passed Through Commonwealth of Virginia			
Department of Motor Vehicles:			
Driver Occupant Awareness Program FY05	154AL-05-51101	20.000	1,280
Flare/Flash DUI Checkpoint FY05	154AL-05-51102	20.000	1,731
			<u>3,011</u>
Enhanced Occupant Protection Program FY06	J2-06-52060	20.600	1,190
Enhanced DUI Enforcement Program FY06	J8-06-52059	20.601	14,627
			<u>18,828</u>
			<u>3,299,885</u>
<b><u>Federal Emergency Management Agency</u></b>			
Direct Programs:			
Assistance To Firefighters 2005	EMW-2004-FP-01611	97.044	23,256

**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Passed Through Commonwealth of Virginia			
Department of Emergency Management:			
Law Enforcement Terrorism Prevention	05-A4526HS04	97.004	\$ 54,662
Equipment Program Grant	2003-TE-TX-0183	97.004	270
Security Interoperable Communications	2003-MV-T3-0014	97.004	10,201
			<u>65,133</u>
State Homeland Security Program FY05	2005-TE-TX-004	97.067	153,506
State Homeland Security Program FY06	2006-TE-TX-005	97.067	38,993
			<u>192,499</u>
Emergency Management Assistance	-	83.552	38,769
			<u>319,657</u>
<b><u>Department of Education</u></b>			
Direct Programs:			
Grants Management 2006 (2)	124-0506	84.041	5,830
Grants Management 2005 (2)	124-0405	84.165	44,638
Teach American History (2)	U215X050038	84.215	35,509
Fleming Community Learning Center (2)	124-60565/S287C040047-FH	84.287	111,471
Addison Community Learning Center 04-05 (2)	124-60565/S287C030047	84.287	25,515
Addison Community Learning Center 2006 (2)	124-60565/S287C040047	84.287	169,750
Hurt Park Community Center 2006 (2)	S287C050047	84.287	18,539
			<u>325,275</u>
			<u>411,252</u>
Passed Through Commonwealth of Virginia			
Department of Education:			
Adult Education in Jails 2006 (2)	124-0506	84.002	24,409
Adult Basic Ed 2005 (2)	V002A040046	84.002	735
Adult Basic Ed 2006 (2)	V002A050046	84.002	288,988
Regional ABE 2005 (2)	V002A040046	84.002	5,701
			<u>319,833</u>
Detention Center Reading Program (2)	124-0405	84.010	4,800
Detention Center Reading Program 2006 (2)	124-0506	84.010	29,499
Title I 2006 (2)	S010A050046	84.010	4,470,218
Title I Delinquent 04 (2)	124-03-5-42935	84.010	78,959
Title I Local Delinquency 2005 (2)	124-04-5-42935	84.010	(12,291)
Title I School Improvements RAMS 05 (2)	S010A030046	84.010	23,141
Title I School Improvements RAMS 06 (2)	S010A040046	84.010	211,446
Title I Winter 2005 (2)	124-05-1	84.010	922,891
			<u>5,728,663</u>

**CITY OF ROANOKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Passed Through Commonwealth of Virginia			
Department of Education (continued):			
Flow Through 2004 (2)	124-0304FT	84.027	\$ 78
Flow Through 2005 (2)	H027A040107	84.027	1,598,993
Flow Through 2006 (2)	H027A050107	84.027	1,534,270
Special Ed Capacity Bldg 2005 (2)	124-04SL	84.027	23,902
Special Ed Capacity Bldg 2006 (2)	124-05SL	84.027	18,626
			<u>3,175,869</u>
Perkins Act Fund 2005 (2)	124-0405	84.048	218
Perkins Act Fund 2006 (2)	124-0506	84.048	411,798
			<u>412,016</u>
Preschool Incentive 2005 (2)	124-PS0405A	84.173	36,050
Preschool Incentive Part B 2005 (2)	124-PS0406B	84.173	68,599
Preschool Incentive 2006 (2)	124-PS0506	84.173	1,402
			<u>106,051</u>
Drug Free Schools 2006 (2)	Q186A050048	84.190	99,332
PHHS Youth Court 04-05 (2)	86871-01P-04	84.190	3,000
PHHS Youth Court 2006 (2)	86871-02P-05	84.190	46,768
Drug Free Schools 2005 (2)	SDFSCA-124-05-R	84.190	3,832
			<u>152,932</u>
Homeless Assistance Program 2005 (2)	G12405	84.196	(4,475)
Homeless Assistance Program 2006 (2)	G12406	84.196	54,064
			<u>49,589</u>
Even Start 2005 (2)	VA-ES-Roanoke-YR7	84.213	(2,997)
Title I Even Start 2006 (2)	VA-ES-05-06-Roanoke-YR8	84.213	134,402
			<u>131,405</u>
Small Learning Community PHHS 03 (2)	S215L022102	84.215	152,106
Smaller Learning Community WFHS (2)	V315L032198	84.215	198,949
			<u>351,055</u>
Title V-A 2005 (2)	S298A040047	84.298	870
Title V-A 2006 (2)	S298A050047	84.298	124,172
			<u>125,042</u>
Enhance Education Thru Tech 2005 (2)	84-318X	84.318	83,078
Enhance Education Thru Tech 2006 (2)	S318X050046	84.318	9,473
			<u>92,551</u>

**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Passed Through Commonwealth of Virginia			
Department of Education (continued):			
Comprehensive School Reform (CSR) Demonstration			
CSR Forest Park 2005 (2)	124/42960/A03-8	84.332	\$ 24,888
CSR Highland Park 2005 (2)	124/42960/A03-8	84.332	25,419
CSR Huff Lane 2005 (2)	124/42960/A03-8	84.332	1,829
CSR Oakland 2005 (2)	124/42960/A03-8	84.332	13,450
CSR Round Hill 2005 (2)	124/42960/A03-8	84.332	3,527
CSR Huff Lane 2006 (2)	S332A040048	84.332	79,328
CSR Oakland 2006 (2)	S332A040048	84.332	53,059
			<u>201,500</u>
Title III 2004 (2)	LEPI0124-03	84.365	33
Title III 2005 (2)	LEPI0124-0405	84.365	15,222
Title III 2006 (2)	LEPI0124-0506	84.365	51,953
			<u>67,208</u>
Title II-A 2005 (2)	124-04-61480-S367A040044	84.367	478,939
Title II-A 2006 (2)	S367A050044	84.367	835,153
			<u>1,314,092</u>
Supplementary Technology 05 (2)	5103300	84.369	89,125
Learn and Serve K-12 VA (2)	03KSSVA001	94.004	19,391
Learn and Serve K-12 2006 (2)	03KSSVA001	94.004	36,433
			<u>55,824</u>
			<u>12,372,755</u>
			<u>12,784,007</u>
<b><u>Department of Health and Human Services</u></b>			
Direct Programs:			
Runaway and Homeless Youth	03CY0433/2	93.623	22,411
Runaway and Homeless Youth	03CY0459/1	93.623	71,886
			<u>94,297</u>
Passed Through Commonwealth of Virginia			
Department of Social Services:			
Promoting Safe and Stable Families	-	93.556	72,053
Temporary Assistance for Needy Families	-	93.558	2,023,862
Refugee & Entrant Assistance-State Administered Prog	-	93.566	35,532
Low-Income Home Energy Assistance	-	93.568	56,123
Child Care and Development Block Grant	-	93.575	842,444

**CITY OF ROANOKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Passed Through Commonwealth of Virginia			
Department of Social Services (continued):			
Child Care Mandatory-Child Care and Development Fund	-	93.596	\$ 1,446,245
Education & Training Vouchers Program	-	93.599	14,003
Adoption Incentive Payments	-	93.603	2,234
Foster Care Title IV-E	-	93.658	2,526,930
Adoption Assistance	-	93.659	606,106
Social Services Block Grant	-	93.667	1,325,494
Foster Care Independence Program	-	93.674	31,988
Children's Insurance Program	-	93.767	1,236
Medical Assistance Program	-	93.778	1,167,769
			<u>10,152,019</u>
Passed Through Commonwealth of Virginia			
Department of Education:			
Refugee Grants 2005 (2)	90ZE0066/03	93.576	29,811
			<u>10,276,127</u>
<b>Grand Total Federal Financial Assistance</b>			<b><u>\$ 41,008,130</u></b>

**Notes:**

This schedule is presented on the cash basis, except for Social Services grants which are presented on the accrual basis.

(1) The value reported for disbursements, with respect to commodities distributed by the Federal government, fair market value as furnished by the respective department of the Federal government.

(2) This schedule includes grants of the School Board, a component unit of the City of Roanoke.

(3) The amount of federal funds passed through to subgrantees totals \$3,114,766.

(4) The amount of federal funds passed through to subgrantees totals \$79,895.

(5) The amount of federal funds passed through to subgrantees totals \$77,138.

(6) The amount of federal funds passed through to subgrantees totals \$902,767.



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**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Members of City Council  
City of Roanoke, Virginia:

We have audited the financial statements of the City of Roanoke, Virginia (the City) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 6, 2006. Our report refers to the adoption by the City of the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective July 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Roanoke in a separate letter dated December 6, 2006.

This report is intended solely for the information and use of the City Council, the audit committee of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

December 6, 2006



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**Report on Compliance with Requirements  
Applicable to Each Major Program and on  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

The Honorable Members of City Council  
City of Roanoke, Virginia:

**Compliance**

We have audited the compliance of the City of Roanoke, Virginia (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Roanoke, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 06-01.

**Internal Control Over Compliance**

The management of the City of Roanoke, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grant agreements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 06-1 to be a material weakness.

This report is intended solely for the information and use of the City Council, the audit committee of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 6, 2006





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## **Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grant Agreements**

The Honorable Members of City Council  
City of Roanoke, Virginia:

We have audited the financial statements of the City of Roanoke, Virginia (the City) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 6, 2006. Our report refers to the adoption by the City of the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective July 1, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grant agreements applicable to the City is the responsibility of the management of the City. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grant agreements. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grant agreements, as contained in the Specifications, for which we performed tests of compliance:

### ***Code of Virginia***

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Debt Provisions  
Retirement Systems  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act

### ***State Agency Requirements***

Enhanced 911 Service Taxes  
Comprehensive Youth Services Act  
Education  
Highway Maintenance Funds  
Personal Property Tax Relief Act  
Social Services



The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under the Specifications.

This report is intended solely for the information and use of the City Council, the audit committee of the City Council, management, the Auditor of Public Accounts of the Commonwealth of Virginia, and the applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 6, 2006

**CITY OF ROANOKE, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: unqualified opinion.
- (b) Reportable conditions in internal control were disclosed by the audit of the basic financial statements: none noted. Material weaknesses: none.
- (c) Noncompliance which is material to the basic financial statements: none.
- (d) Reportable conditions in internal control over major programs: yes, finding 06-1. Material weaknesses: yes.
- (e) The type of report issued on compliance for major programs: unqualified opinion.
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: yes.
- (g) Major programs: Title II-A (CFDA #84.367); Title I (CFDA #84.010); Special Education Cluster (CFDA #84.027 and 84.173); and Community Development Block Grant (CFDA #14.218).
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$1,230,244.
- (i) Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: yes.

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:**

None.

**(3) Findings and Questioned Costs Relating to Federal Awards:**

Finding 06-1 – Allowable Costs/Cost Principles

Program – Title II-A (CFDA #84.367); Title I (CFDA #84.010); and Special Education Cluster (CFDA #84.027 and 84.173)

Condition – Time certifications for all employees that work 100% on Federal programs as required by OMB Circular A-87 were not prepared and documented in the personnel files.

Criteria – OMB Circular A-87 Attachment B Section II, Paragraph h. requires the following:

- 1. Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- 2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- 3. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely

**CITY OF ROANOKE, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

4. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - 1) More than one Federal award,
  - 2) A Federal award and a non-Federal award,
  - 3) An indirect cost activity and a direct cost activity,
  - 4) Two or more indirect activities which are allocated using different allocation bases, or
  - 5) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
  - 1) They must account for the total activity for which each employee is compensated,
  - 2) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - 3) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - 4) They must be signed by the employee.
6. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
  - 1) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - 2) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
  - 3) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Effect – Noncompliance with the program requirements may result in reduced Federal funding as a result of unallowable employee costs charged to a Federal grant.

**CITY OF ROANOKE, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

Questioned costs – Undetermined; however, total payroll related expenditures for the programs noted approximated \$4.3 million for Title I, \$1.2 million for Title II-A, and \$2.9 million for Special Education cluster for the fiscal year ended June 30, 2006.

Recommendation – Payroll policies should include procedures to ensure that the necessary time certifications are performed and documented as required by OMB Circular A-87.

Management Response – The Executive Director for Human Resources of Roanoke City Public Schools has submitted the following strategies to be used to prevent the reoccurrence of the audit findings:

- Initial certification of the employment status of all employees will be documented on the *Offer of Employment Letter* prepared annually and signed by the employee. Included on the form will be an indication of whether the position is a grant position, and if so, the title or source of the grant. This letter will be placed in the employee personnel folder.
- Grant Managers, Principals and other Supervisors will be educated on the requirement to properly document the assignment of staff and to provide notification to the Human Resources Department. Written guidelines will be provided to all principals and administrators on the use of the *Personnel Action Form* that includes any changes in an employee's duties. One copy of the *Personnel Action Form* would be filed in the employee's personnel folder, one will be sent to Fiscal Services, and one will be provided to the Grant Manager, if appropriate.
- The semi-annual certification will be documented by means of the *Employee Evaluation Form*. The evaluation form will specify the employee's assignment as indicated on the *Offer of Employment Letter* or subsequent *Personnel Action Form*, as verified by the evaluator. A copy of the *Employee Evaluation Form* will be filed in the employee's personnel folder.
- Grant Managers will continue to be provided with a *Payroll Expenditure Distribution Report* on at least a monthly basis. Attached to each monthly distribution report will be a *Sign-off Sheet* that the Grant Manager will be required to complete and return to the Fiscal Services Department. If changes are required due to the Grant Manager's review of expenditure distributions, a *Personnel Action Form* must be submitted with the *Sign-off Sheet* so that appropriate corrections may be made.

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**Department of Finance  
City of Roanoke, Virginia**

Jesse A. Hall, CPA  
Ann H. Shawver, CPA

Director of Finance  
Deputy Director of Finance

**Accounting / Accounts Payable**

Timothy B. Austin  
Tasha L. Burkett  
Yen T. Ha  
Dawn L. Hope, CPA  
Stacy A. Kennedy  
James J. Newman  
Deborah B. Noble  
  
Sharon A. Shrewsbury  
Beverly L. Smith  
Paul R. Workman, CPA

Accounts Payable Data Coordinator  
Financial Systems Accountant  
Accountant  
Manager of Accounting Services  
Accounts Payable Clerk  
Accountant  
Senior Accountant/  
Accounts Payable Supervisor  
Account Technician  
Accounts Payable Clerk  
Senior Accountant

**Administrative**

Cindy M. Ayers  
Patricia A. Canady

Finance Administrative Secretary  
Administrative Secretary

**Payroll**

Connie K. Altice  
Suzanne F. Barnett  
Jody A. Lawson  
Paula S. Quinn

Payroll Technician  
Payroll Accountant  
Payroll Supervisor  
Senior Payroll Technician

**Retirement**

Harold R. Harless, Jr.  
Belinda G. Thomas  
Andrea F. Trent

Retirement Accountant  
Retirement Account Technician  
Retirement Administrator